2007 ANNUAL REPORT

Medicine Hat
The Gas City

City of Medicine Hat >> December 31, 2007
Medicine Hat, Alberta, Canada

2008-04692/

our vision >>

City Council's vision for Medicine Hat is a vibrant city with residents, businesses and visitors seeking to make Medicine Hat their "community of choice."

our mission >>

In pursuit of our vision, the City of Medicine Hat is committed to a mission of striving to exceed the expectations of our residents, businesses and visitors.

We will achieve this by:
- Providing strong and effective leadership.
- Working together with a unified purpose.

our values >>

We are committed to the following core values, which we believe enable us to achieve our vision:

- Innovation, creativity and diversity
- Openness, debate and participation
- Performance results
- Being proactive
- Balanced and responsible development
- A long-term perspective
- Well-being of residents and employees
- Principle of self-determination for our community
- Continuous learning and staff development

December 31, 2007 City of Medicine Hat, Alberta, Canada
Prepared by the City of Medicine Hat Finance and Corporate Communications departments.

LIFEGUARD

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Management's Report
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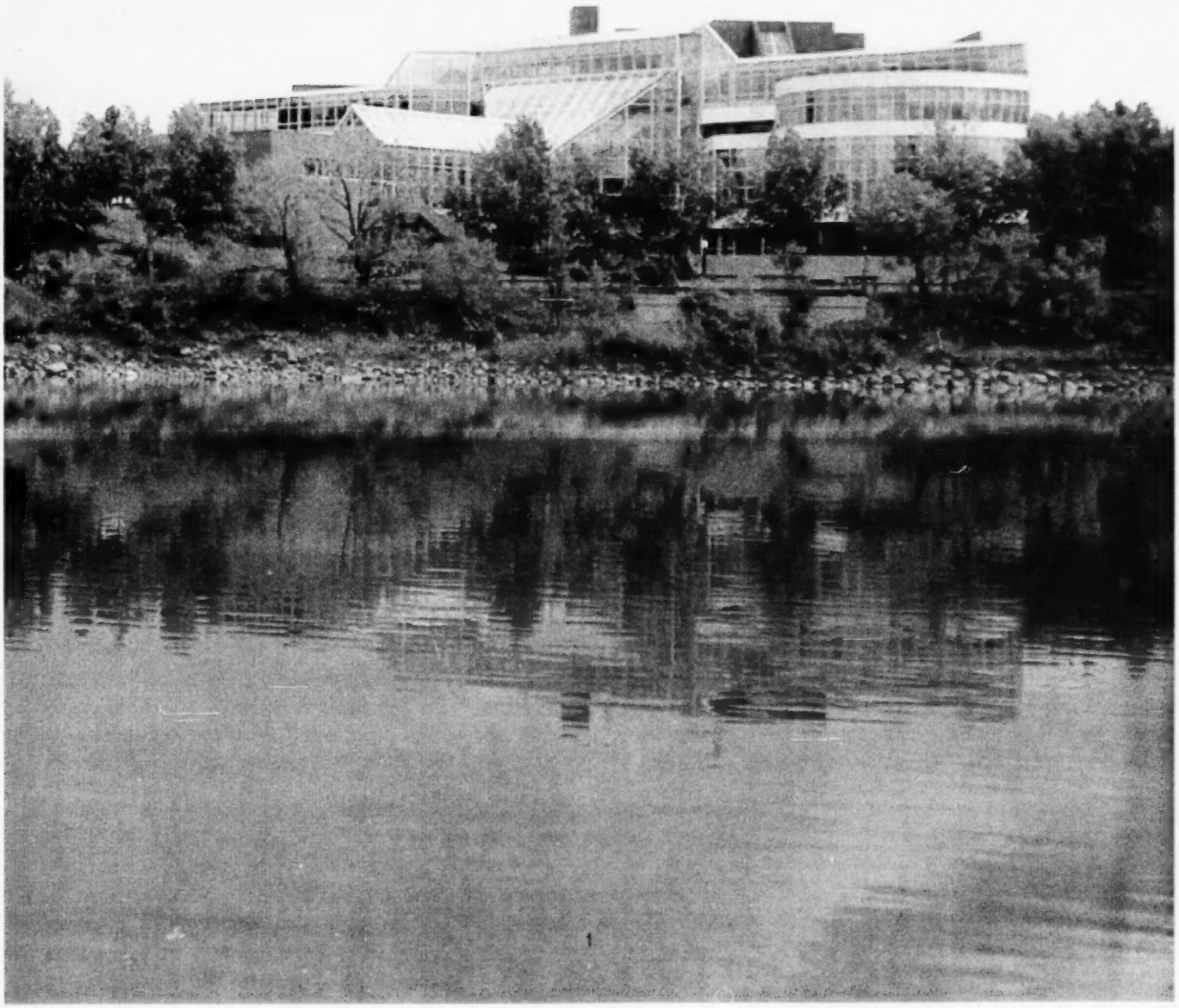
Who We Are >>

Medicine Hat is a thriving community of more than 56,000 people. Residents benefit from more than 100 years of public ownership of natural gas and electric utilities. The city offers a wealth of amenities and facilities, among the lowest tax rates in Canada and utility rates in Alberta, friendly people, safe streets, and an enviable climate.

The Medicine Hat Advantage - **UNIQUE!**



About Us >>

Our Community

> We are Canada's sunniest city, receiving more than 2,500 hours of sunshine annually.
> We are a clean community and people feel safe. Medicine Hat has the lowest crime rate per capita in Alberta.
> We offer superior recreational facilities, more than 90 kilometres of hiking/biking trails and 250 hectares of parks. There are six first-class golf courses, three indoor and four outdoor pools, six indoor ice arenas, indoor and outdoor waterslides, soccer fields, baseball diamonds, tennis courts, skateboard park, Echo Dale Regional Park, and a BMX track. If you enjoy ice, water or sun, there's a sport for every season.
> We are active in arts and culture. Medicine Hat is home to the Esplanade, a world-class arts, heritage and performing arts centre.
> We are a city where people want to raise families.

Our People

> We have talented and dedicated people. Companies say the work ethic of Medicine Hatters is one of the key reasons they are here.
> We care. There are more than 650 people who volunteer through our Senior Services to make Medicine Hat a better place.

Our Natural Resources

> We are blessed with natural gas, the South Saskatchewan River, and more sunshine than anywhere else in Canada. Couple that with our industrious people and you get:
> Among the lowest utility rates for gas and electric in Alberta.
> Clean, safe drinking water.
> A flourishing greenhouse industry.
> A great climate for outdoor activities.
> Exploration of alternative energy sources like wind power, solar heating, and a water aquifer to heat and cool homes.

Our Location

> We are close to the Rocky Mountains - a recreation area among the best in the world, and Cypress Hills Interprovincial Park - the highest point in Canada between Labrador and the Rocky Mountains.
> We are close to world-class health facilities in Calgary.
> We are close to commercial centres and markets for our products.
> Yet we are far enough away that Medicine Hat is not a bedroom community, so our business and service sector is strong.

Corporate Governance >>

Mayor's Report >>

Medicine Hat grew out of an entrepreneurial spirit that has been passed down to the generations of people that call Medicine Hat home today.

Our community is growing and thriving, and everyday we are witness to an abundance of energy and vitality that makes Medicine Hat a great place to live, work and play.

I want to acknowledge the out-going City Council members who gave of their time and resources to shape our community and welcome the new City Council members who, with commitment and a shared vision, will shape our future.

This is an exciting time for our Council and our community. The majority of Council is new and with that comes the opportunity to create new directions. We have new approaches, new ideas and a new vision for Medicine Hat. Over the next three years, City Council has identified new strategies and priorities to expand on the direction of Medicine Hat.

First and foremost, all members of City Council agree our main priority is the well being of Medicine Hat residents by ensuring the appropriate services are delivered in the most cost effective manner. That is our top priority.

We must provide Sustainable Utilities by investing in renewable energy, restructuring the energy and tax side operations of the corporation, conducting external reviews of our energy operations, and maximizing our energy value and future sustainability.

We are committed to a unified Constructive Culture in our organization by focusing on employee empowerment, ensuring sound recruitment, retention and staff development, and providing a clear understanding that "Council supports staff."

We need to move forward with an effective transit system by researching best practices, enhancing ridership, and matching needs and potential. Council is also in agreement with moving forward with a new Regional Major Events Centre.

We want Land Development and the Land and Properties department to increase focus on more block land sales. We need to enhance communications with developers, encourage diversity in development, adopt a sound vision for our Downtown, improve our Airport Development Plan, and complete an Inter-Municipal Development Plan with our neighbours to make better use of shared resources.

The environment is also among our top priorities. Council identified a need for improving our environment by establishing a water management plan, developing a comprehensive waste management plan, reducing pollutants and emissions, moving forward with Smart Growth principles, and ensuring we have sustainable parks and trail systems throughout the city.

We will continue to create and achieve a vision for Medicine Hat of a vibrant city with residents, businesses and visitors seeking to make Medicine Hat their "community of choice".

Our mission continues to be the pursuit of exceeding the expectations of our residents. We will achieve this mission by providing strong, effective leadership and working together with a unified purpose.

One hundred years ago our city's residents created a vision from a barren piece of open land. Today we are blessed to live in this community with unlimited potential and diversity.

It is our responsibility as residents of Medicine Hat and members of Council to ensure our city continues to grow and prosper and provide us with the best quality of life possible.

Norm Boucher

Mayor Norm Boucher

City Council >>

City Council consists of a Mayor and eight Aldermen. Council is responsible for developing and evaluating the policies and programs of the municipality and delegating the responsibility for carrying out those policies to Administration. The public is encouraged to attend Council meetings, which are held on the first and third Mondays of each month at City Hall.

City Council (as of Nov. 1, 2007)
(L to R) Back Row: Alderman Ted Clungston, Alderman Ty Schneider, Mayor Norm Boucher, Alderman Graham Kelly, Alderman Robert Dumanowski, Alderman Jeremy Thompson. *Front Row:* Alderman Jamie White, Alderman Julie Friesen, Alderman John Hamill

City Council (Oct. 31, 2004, to Oct. 31, 2007)
(L to R) Back Row: Alderman Harv Speers, Alderman John Hamill, Mayor Garth Vallely, Alderman Graham Kelly, Alderman Bill Cocks. *Front Row:* Alderman Julie Friesen, Alderman Darren Hirsch, Alderman Robert Dumanowski, Alderman Cathy Smith.

Committees, Commissions and Boards >>

Standing Committees

Corporate Services Committee
> Alderman Robert Dumanowski, Chair

Development and Infrastructure Committee
> Alderman John Hamill, Chair

Public Services Committee
> Alderman Julie Friesen, Chair

Energy Committee
> Alderman Graham Kelly, Chair

Audit Committee
> Alderman Ty Schneider, Chair

Administrative and Legislative Review Committee
> Alderman Julie Friesen, Chair

Board of Commissioners
> Gerry Labas, Chief Administrative Officer/ Energy Commissioner, Chair

Administrative Committees

Event Centre Committee
> Alderman Jamie White, Chair

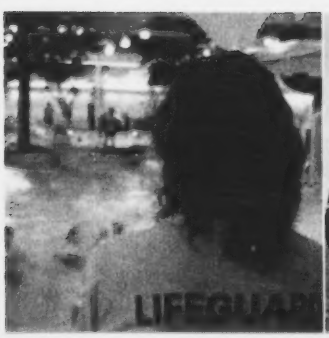
City Centre Ad Hoc Committee
> Alderman Jeremy Thompson, Chair

Advisory Boards and Commissions

> Urban Environment and Recreation Advisory Board
> Municipal Planning Commission
> Subdivision and Development Appeal Board
> Police Commission
> Arts and Heritage Advisory Board
> Social Development Advisory Board
> Assessment Review Board
> Public Library Board

Other Organizations With Council Representation

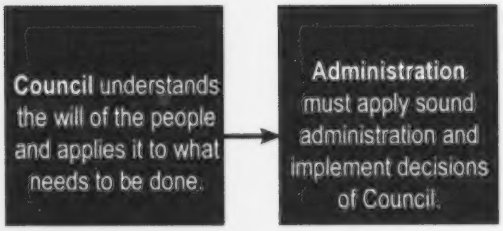
> Alderman Responsible for Civic Functions – Alderman Jeremy Thompson
> Medicine Hat Exhibition and Stampede
> Medicine Hat Community Housing Agency
> Cypress View Foundation
> Shortgrass Library System
> Tourism Medicine Hat Committee
> Medicine Hat Public Library
> Canadian Badlands
> Economic Development Alliance of Southeast Alberta
> City Centre Development Agency
> Friends of Medalta Society
> Palliser Economic Partnership



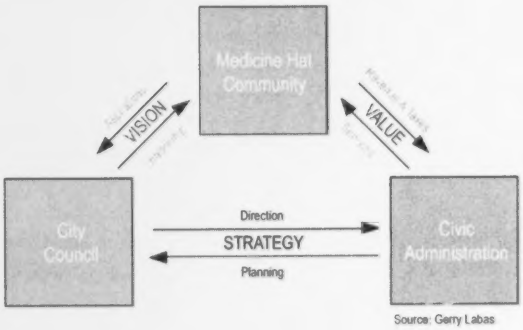
Strategic Planning >>

The City of Medicine Hat uses a Systems Thinking approach to strategic planning. The organization focuses on "where we want to go and how we are going to get there." Council devotes more time on developing and evaluating the policies of the municipality (the WHAT) and, where appropriate, less time on allocating resources and business processes. By stating "what" we want to be, Council provides Administration with a framework to implement the decisions of Council (the HOW).

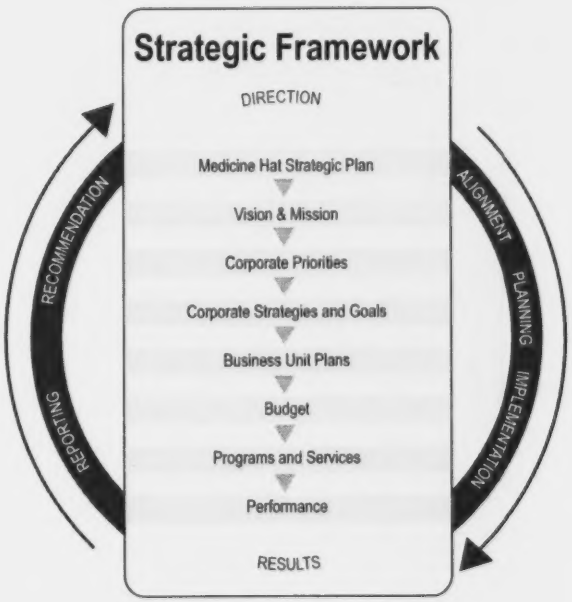
The City of Medicine Hat Strategic Plan supports the City's vision, mission and direction by outlining corporate priorities, strategies, goals, and measures of success over the planning period. The Strategic Plan guides the individual business units in the organization to develop strategies, goals and measures of success that are consistent with the corporate direction. The Strategic Plan also helps the organization in the preparation of the annual budget. The Strategic Plan is monitored and updated on a yearly basis by Council and Senior Management. It is expected that business plans and department budgets will be updated every three years to form the basis for the City budget. Throughout the year, quarterly reports are produced that report on the progress of this planning cycle. In addition, the City produces an Annual Report which reports on the outcomes of the planning cycle.


Council understands the will of the people and applies it to what needs to be done.
Administration must apply sound administration and implement decisions of Council.

Governance Model >>



Source: Gerry Labas



Our strategic planning process ensures that:

- Strategies and goals are aligned with community and Council needs.
- An accountability framework exists to monitor and report to the community on progress in achieving the strategies and goals of the Strategic Plan.
- Clear linkages exist from the Strategic Plan to all other business plans, budgets, and policies, and day-to-day operations.
- Roles and responsibilities are clear and understood.
- A culture of learning and improvement is embraced.

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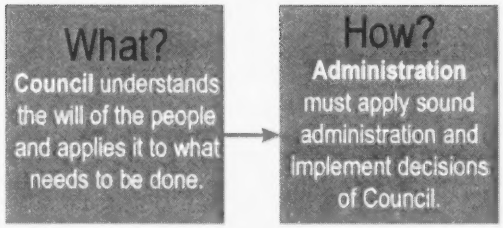
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How?
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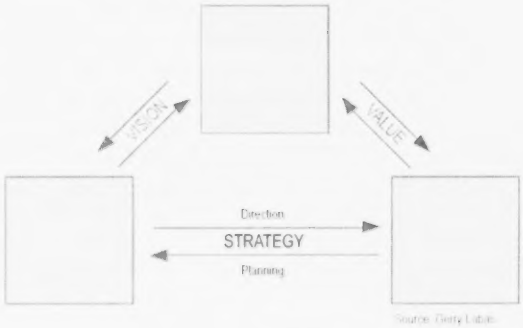
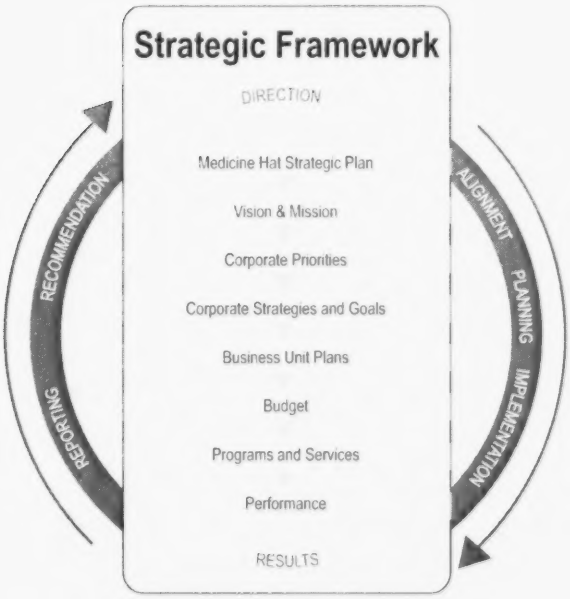
Governance Model >>





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- Roles and responsibilities are clear and understood.
- A culture of learning and improvement is embraced.

Council's Policy Objectives >> 2005-2007

Fiscal Responsibility >> Maintaining a Strong Financial Position

Council strives to ensure that services provided by the City of Medicine Hat are affordable and well-managed. Strategies in this regard work toward attractive taxation, utility rates and user fees, balanced with the need to maintain a growing infrastructure and ongoing service quality.

Sustainable Utilities >> Managing the Investment

Medicine Hat's enviable cost of living continues to be supported through the ownership and careful management of its stand-alone enterprises. These include Gas, Electric, Water, Sewer and Solid Waste Utilities, plus Land and Properties. By pursuing strategies that promote sustainable growth, ensuring appropriate infrastructure maintenance and replacement, and seeking out alternative revenue options, Council can continue to offer attractive utility rates and use sales proceeds to generate annual dividends to offset the requirements for property taxes.

Sound Infrastructure >> Planning for Tomorrow

Sound infrastructure not only supports the quality of life for the residents of Medicine Hat, but is a significant contributor to the economy as well. Through wise expenditure of public funds on maintenance and replacement initiatives, as well as strategic investment in new infrastructure, City Council strives to provide a strong base from which the community can thrive and grow. An appropriate balance among transportation systems, pedestrian corridors, buildings, facilities, and amenities is continually sought.

Economic Development >> Balancing Our Approach to Economic Growth

Council continues a strong commitment to economic vitality. As municipal government creates the business environment and the infrastructure necessary for prosperity, Council's strategies centre around eliminating barriers and creating a balanced approach for economic opportunities and sustained growth. This approach includes offering the highest quality environment, services and amenities necessary to attract new business investment, as well as supporting the retention and expansion of existing local businesses.

Communications and Community Relations >> Dedicating Our Efforts to a Progressive Council and an Informed Community

Medicine Hat residents are interested in the actions taken by their municipal government to serve the community. They also expect to be informed on emerging issues and critical Council decisions. Regular communication is required and access to relevant information is necessary. City Council recognizes the significant roles it plays in keeping the community informed, and wants to ensure that it performs its communications role to a high standard. In support of Council, Administration is required to provide accurate information to the community and to be accessible in answering public inquiries and concerns. A high level of customer service is expected in the areas selected by Council.

Environmental Stewardship >> Focusing Our Knowledge and Awareness

The city's natural environment represents a substantial asset that few prairie cities enjoy. The abundance of trees, clean air, the city's scenic river valley and its sparkling waters serve as a natural oasis in the prairie landscape. Council recognizes the key strategic, economic and social value of a healthy environment. Maintaining the quality of our natural environment represents a community obligation. Council wants its municipal government to be a steward and a leader of responsible environmental decisions and actions in support of this obligation. Collectively, Administration holds a broad understanding of environmental issues. However, to be a more effective resource to the community, Administration needs to be more focused in its approach to environmental management. Furthermore, Council needs to be more aware of environmental concerns in order to provide leadership.

Community Development >> Attending to the Well-Being of Our Residents

Council is dedicated to a balanced approach for developing and enhancing the overall well-being of our community. It is Council's desire to ensure that residents of this community can continue to feel safe and have their property protected, enjoy a clean environment and attractive open spaces, participate in a diverse blend of cultural, recreational, and leisure activities, avail themselves of organized and accessible modes of transportation, and find appropriate local social support mechanisms when circumstances warrant.

Organizational Strength >> Staff are the Foundation of the Enterprise

The City of Medicine Hat is proud of its diverse and dedicated workforce. Council understands that excellent service to the community starts with skilled and motivated staff. The City is committed to helping employees achieve their full potential through an open sharing of information and by supporting a variety of personal development initiatives. Just as the City desires to be a "community of choice," it also strives to be an "employer of choice."

Council's Priorities >> 2005-2007

Sustainable Utilities >> Managing the Investment

Alternative Energy: explore alternative energy forms at full cost recovery.

Sound Infrastructure >> Planning for Tomorrow

Smart Growth: consideration for sustainability in all growth initiatives.

Environmental Stewardship >> Focusing Our Knowledge and Awareness

Water Strategy: upstream quality and City of Medicine Hat quantity intake.

Environmental Focus: establish community targets / strategy.

Waste: identify waste diversion alternatives.

Community Development >> Attending to the Well-Being of Our Residents

Quality of Life Indicators: for measuring progress toward our vision.

CAO's Report >>

Mayor Boucher and Other Members of City Council, it is an honour and a privilege to provide the 2007 Annual Report for the City to you and the residents of Medicine Hat. Our city experienced another interesting year of change. We have seen tremendous residential and commercial growth in the south and the emergence of development in the north which is bringing a balance to the city.

Our Mission is to exceed expectations in the value of our services. We have done that and the following information highlights our measures of success:

Residents/Customers – I am extremely proud of our staff, they have been able to maintain a high level of service to all existing residents while accommodating new growth at a pace required by developers.

We are hearing positive messages about the growth Medicine Hat realized in 2007 and the numbers confirm the opinions of many. The City processed building permit values in excess of $146 million which equates to a 24 per cent increase over 2006. The increase was attributable in large part to a 107 per cent increase in commercial building permits which demonstrates a significant investment by the private sector. Home ownership remains strong at 72 per cent with new homes starts totaling 1,099, equal to 15.9 new starts per 1,000 population.

Our Land and Properties department developed 414 lots (R-1, R-2 and R-3) and sold 387, leaving an inventory of 98 lots (71 lot carry over from 2006) at 2007 year end.

Resident safety has been improved by installing GIS enabled laptops in two Fire Service primary response vehicles, allowing dispatch and crews to quickly and accurately locate any city address. Electric Distribution worked with other Alberta utilities to introduce a public safety campaign to reduce the number of public/contractor line contacts. Police planned several initiatives on impaired driving, which resulted in a 34 per cent increase in charges and no alcohol related driving deaths.

Quality of Life Indicators were developed using a comprehensive public consultation process and our 911 Communications Centre became the first in the world to achieve tri-accreditation in Police, Fire and Medical protocols.

We updated the City website to provide more timely and accurate information to residents/customers, including a "HAT Smart" section to educate residents on saving energy and conserving water.

Financial – City of Medicine Hat assets grew by $162 million to $1,506 million with total equity of $1,149 million. Excess operating revenues over expenditures were $157 million on total operating revenues of $363 million; 72 per cent was derived from Electric, Gas and Land and Subdivision Development. Capital investment was $240 million in electric, roads, sidewalks, storm sewers in new subdivisions and natural gas (including a $135 million acquisition). Our total long-term debt outstanding was $195.2 million or 37 per cent of our debt limit. Our cash investment portfolio earned 4.06 per cent exceeding the benchmark by 20 per cent.

Internal Business Processes – City Council approved Smart Growth principles for future developments and we initiated Area Redevelopment Plans for the Downtown, North Flats, and Hospital areas. We continued to support the development of an Inter-Municipal Development Plan with Cypress County and the Town of Redcliff.

The Environment department worked with operating departments and an advisory group to develop performance measures and targets for the community's environmental priorities. In addition, an internal Environmental Advisory Committee was created to facilitate the effective implementation of the City's Environmental Management Policy.

The Police Service conducted audits to maximize efficiencies, which resulted in the creation of a Major Crimes Section and an Organized Crime Section.

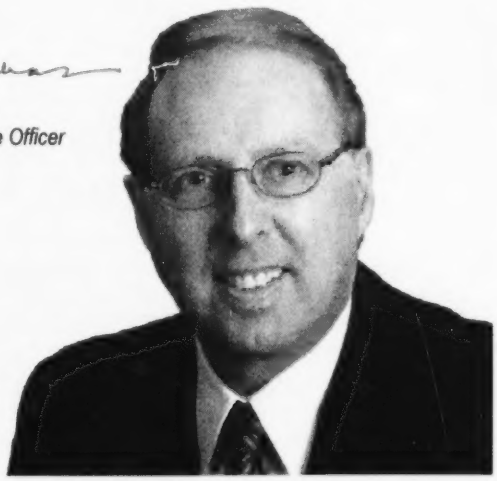
Organizational Learning and Growth – Our staff carried out Personal Mastery and Workgroup Leadership training in our continuing efforts to provide the best service to our residents. The Commissioners launched an Executive Team's Action Plan to Improve Internal Communications in the organization.

We revised the employee Intranet to improve the delivery of information to staff and continued to publish the employee newsletter In the Loop to connect and share information with employees.

It has been a good year and we look forward to working with the new Council in 2008. I would like to take this opportunity to thank City Council for supporting staff, by bringing clarity to our Vision, Mission and Priorities, and to the employees and volunteers who continue to make Medicine Hat a "community of choice."

Regards,

Gerry Labas, *MBA*
Chief Adminsitrative Officer

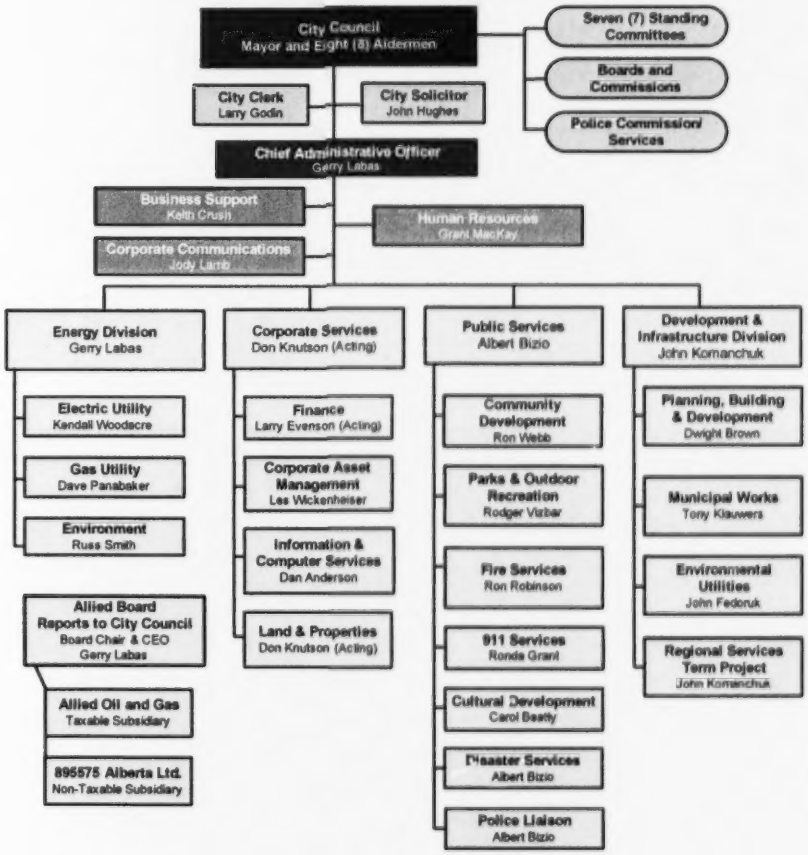


Board of Commissioners >>

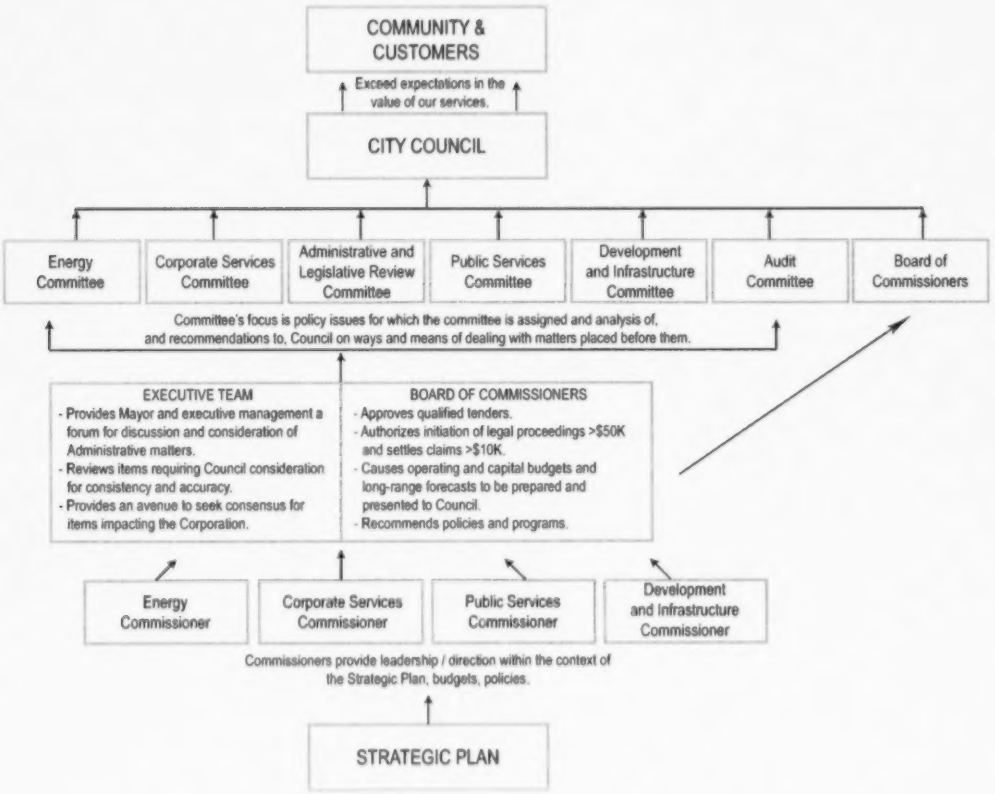
Board of Commissioners' meetings provide the Mayor and senior management with a forum to discuss strategy, consider Administrative matters, to review items requiring Council approval and seek consensus on issues impacting the Corporation.

Back Row (L to R)
John Hughes, City Solicitor
Larry Godin, City Clerk
John Komanchuk, Commissioner of Development and Infrastructure
Don Knutson, Acting Commissioner of Corporate Services
Front Row (L to R)
Albert Bizio, Commissioner of Public Services
Gerry Labas, Chief Administrative Officer and Commissioner of the Energy Division

Organizational Structure >>



Administrative Framework to Deliver Services >>


COMMUNITY & CUSTOMERS
Exceed expectations in the value of our services.
CITY COUNCIL
Energy Committee
Corporate Services Committee
Administrative and Legislative Review Committee
Public Services Committee
Development and Infrastructure Committee
Audit Committee
Board of Commissioners
Committee's focus is policy issues for which the committee is assigned and analysis of, and recommendations to, Council on ways and means of dealing with matters placed before them.
EXECUTIVE TEAM
- Provides Mayor and executive management a forum for discussion and consideration of Administrative matters.
- Reviews items requiring Council consideration for consistency and accuracy.
- Provides an avenue to seek consensus for items impacting the Corporation.
BOARD OF COMMISSIONERS
- Approves qualified tenders.
- Authorizes initiation of legal proceedings >$50K and settles claims >$10K.
- Causes operating and capital budgets and long-range forecasts to be prepared and presented to Council.
- Recommends policies and programs.
Energy Commissioner
Corporate Services Commissioner
Public Services Commissioner
Development and Infrastructure Commissioner
Commissioners provide leadership / direction within the context of the Strategic Plan, budgets, policies.
STRATEGIC PLAN

>> Stemming from Council's Vision, Mission, Values, Policy Objectives and Priorities, a core set of Corporate Measures of Success based upon a Balanced Scorecard model serve as a clear expectation to individual departments and business units regarding ongoing performance.

Measures of Success >>

Financial

Residents/Customers

Internal Business Processes

Organizational Learning and Growth

Highlights

Municipal Services Operations Budget Report (in thousands of dollars)

	NET ACTUAL	* POSITIVE VARIANCE
General Government	$2,925	$244
Corporate Services	$5,511	$653
Public Services	$29,520	$833
Development & Infrastructure	$9,372	$343
Police Services	$11,655	$23

* Services were delivered within approved budgets

Our Utility Business Units (in thousands of dollars)

	2007 Net Income (Loss)
Natural Gas & Petroleum Resources (NGPR)*	$89,378
Gas Distribution	$2,811
Gas Marketing**	$(22,824)
Electric Generation****	$1,266
Electric Distribution	$3,820
Electric Retail***	$(7,924)
Water Utility	$2,288
Sewer Utility	$1,636
Solid Waste Utility	$798
TOTAL	**$71,249**

* Before Bad Debt Forgiveness to Gas Marketing and Electric Generation.
** Before Forgiveness from NGPR of $22,952
***Before Forgiveness from NGPR of $3,454.
**** Before allocation of the Dividend to offset rates $8,153.

CORPORATE GOALS /

2007 Goals - What we said we were going to do

- Balance attractive taxation, utility rates and user fee structures that are important to the quality of life in Medicine Hat, with the need to maintain a growing infrastructure.

a. Services are delivered within approved budgets.
b. Reduce costs / increase revenue through new partnerships / approaches.
c. Revenue to cost ratios for:
  - Gas Utility, Electric Utility and Environmental Utilities = one, including a Return on Investment of 10 per cent.
  - Recreational Facilities greater than or equal to 50 per cent.
  - Community Development revenue greater than or equal to 25 per cent.

d. Continuous improvement in the management of the City's investments.
e. Land and Utilities to achieve at least a 15 per cent Return on Investment and a Return on Equity of at least 12 per cent.

ACTION PLANS

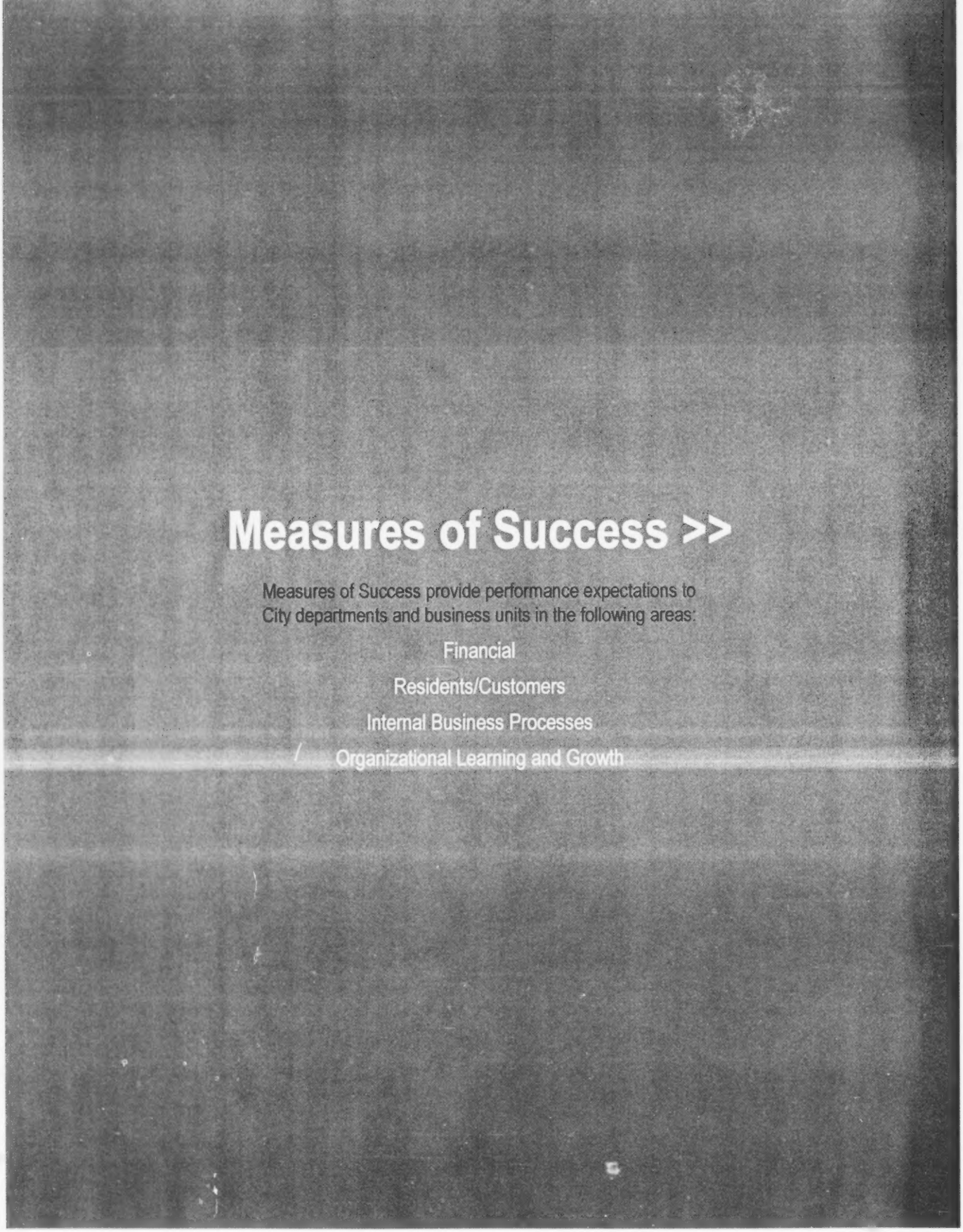
2007 Results - What we did

Corporate Services Division (Corporate Asset Management, Finance, Information and Computer Services, Land and Properties)

- Departments operated within the 2007 approved budgets, while meeting their operational goals.
- Continued improvement in the investment management process ending the year with a return of 4.06 per cent which exceeded the benchmark by 20 per cent.
- Participated in Climate Change Alberta's ME First program, resulting in numerous energy saving initiatives that have reduced energy consumption at our municipal buildings. The return on investment on these initiatives exceeded 11 per cent.
- Based on a strong demand for lots and pricing strategies approved by City Council, the 2007 Return on Investment was 22 per cent which exceed the goal of 15 per cent and the Return on Equity for 2007 was 15 per cent which exceed the goal of 12 per cent.

2008 Goals - What we plan to do

- Continue to provide services within approved budgets.
- Continuous improvement in the management of our investments by exploring the addition of equity investments.
- Investigate a Print Partnership to reduce printing costs within our organization. A forms review process will reveal the viability of proceeding with this initiative.
- Continue with pricing and marketing strategies through 2008, particularly on residential and non-residential properties.



Measures of Success >>

Measures of Success provide performance expectations to City departments and business units in the following areas:

Financial

Residents/Customers

Internal Business Processes

Organizational Learning and Growth

Highlights

Municipal Services Operations Budget Report (in thousands of dollars)

	NET ACTUAL	* POSITIVE VARIANCE
	$2,925	$244
	$5,511	$653
	$29,520	$833
	$9,372	$343
	$11,655	$23

* Services were delivered within approved budgets

Our Utility Business Units (in thousands of dollars)

	2007 Net Income (Loss)
	$89,378
	$2,811
	$(22,824)
	$1,266
	$3,820
	$(7,924)
	$2,288
	$1,636
	$798
	$71,249

* Before Bad Debt Forgiveness to Gas Marketing and Electric Generation
** Before Forgiveness from NGPR of $22,952
***Before Forgiveness from NGPR of $3,454
**** Before allocation of the Dividend to offset rates $8,153

CORPORATE GOALS / COUNCIL'S PRIORITIES 2005-2007

2007 Goals - What we said we were going to do

- Balance attractive taxation, utility rates and user fee structures that are important to the quality of life in Medicine Hat, with the need to maintain a growing infrastructure.

a. Services are delivered within approved budgets.
b. Reduce costs / increase revenue through new partnerships / approaches.
c. Revenue to cost ratios for:
  - Gas Utility, Electric Utility and Environmental Utilities = one, including a Return on Investment of 10 per cent.
  - Recreational Facilities greater than or equal to 50 per cent.
  - Community Development revenue greater than or equal to 25 per cent.

d. Continuous improvement in the management of the City's investments.
e. Land and Utilities to achieve at least a 15 per cent Return on Investment and a Return on Equity of at least 12 per cent.

ACTION PLANS

2007 Results - What we did

Corporate Services Division (Corporate Asset Management, Finance, Information and Computer Services, Land and Properties)

- Departments operated within the 2007 approved budgets, while meeting their operational goals.
- Continued improvement in the investment management process ending the year with a return of 4.06 per cent which exceeded the benchmark by 20 per cent.
- Participated in Climate Change Alberta's ME First program, resulting in numerous energy saving initiatives that have reduced energy consumption at our municipal buildings. The return on investment on these initiatives exceeded 11 per cent.
- Based on a strong demand for lots and pricing strategies approved by City Council, the 2007 Return on Investment was 22 per cent which exceed the goal of 15 per cent and the Return on Equity for 2007 was 15 per cent which exceed the goal of 12 per cent.

2008 Goals - What we plan to do

- Continue to provide services within approved budgets.
- Continuous improvement in the management of our investments by exploring the addition of equity investments.
- Investigate a Print Partnership to reduce printing costs within our organization. A forms review process will reveal the viability of proceeding with this initiative.
- Continue with pricing and marketing strategies through 2008, particularly on residential and non-residential properties.

Development and Infrastructure Division (Environmental Utilities, Municipal Works, Planning, Building and Development)

- Achieved revenue to cost ratio of one in Water Utility.
- Departments concluded 2007 within the approved operating budgets, while meeting operational objectives.
- Services were provided with a favourable budget variance that reflects a 30 per cent increase in building activity as compared to 2006.
- Achieve revenue to cost ratio of one in Sewer Utility, Solid Waste Utility and maintain revenue to cost ratio of one in Water Utility.
- Deliver our level of services within the approved 2008 operating budget.

Energy Division (Electric Utility, Environment, Gas Utility)

- Implemented Energy Division Dividend Policy to ensure equity in the energy utilities remains at levels that provide for sustainability and rate of return strategies. The 2007 Energy Division dividend payment to the City of Medicine Hat was $34.9 million.
- Energy Utility Distribution business units achieved recovery of operating costs and a reasonable rate of return through regulatory compliance (provincial) and the application of cost of service principles and methodology.
- Electric Utility's 2007 Net Income saw an improvement of approximately $3 million over budget projections.
- Electric Generation provided energy to Electric Retail at a cost that is comparable to Alberta market. Due to strong Alberta Electric Market conditions, 2007 prices were on average, 16 per cent higher than budget forecasts.
- Council approved 2007 Gas and Electric commodity prices, applying a rate dividend (subsidy) to utility customers.
- Electric Utility customers enjoyed rates that were at least 25 per cent below the Alberta Market, thereby maintaining the Medicine Hat Advantage.
- An Industry recognized cost of service analysis was used to develop and refine cost centres to meet the Energy Utilities' goal of revenue to cost ratio of one by 2008 for residential customers and 2010 for industrial and manufacturing customers.
- Gas Distribution achieved a Return on Equity of 25.2 per cent. Gas distribution rates provided a $3.1 million advantage to Gas Utility customers.
- To ensure favourable economics, capital projects returning high yields were initiated and completed.
- Natural Gas and Petroleum Resources group achieved an operating netback of $4.80 per million cubic feet equivalent (mcfe), in a business climate of escalating costs and low prices.
- Acquired Freefight natural gas property which expanded the operation's area and added significant reserves (approximately two years of current production levels) to the corporate asset bank.
- Energy Division Dividend Policy guarantees an annual fixed cash flow to the tax side of the corporation to offset property taxes and provides funding, based on financial performance, toward utility rate subsidies and/or one time community capital projects. The forecasted 2008 dividend is $37.4 million.
- Energy Utility Distribution and Retail business units will continue to provide a Medicine Hat Advantage to their utility customers while providing an economic benefit to the shareholder - the City of Medicine Hat.
- Manage Electric Generation Plant and assets as a stand alone open market competitive business unit and sustain a cost of electric commodity that is comparable with Alberta market.
- Electric Retail will provide financial budgeting information and analysis in order to advocate to Council rates that cover costs but are stable and less than Alberta market.
- Electric Distribution will minimize costs of connecting new services.
- Electric Distribution will provide a wire service charge at a cost that provides a Medicine Hat Advantage when compared to like Alberta wire providers.
- Invest in more training on economic justification, project management and external benchmark services to review operating costs.
- Develop 2009-2011 Business Plans for each business unit, ensure they address Council's revisions to Strategic Priorities and prepare three-year budgets to carry them out.
- Extensive work on operational/financial support systems, aiding in the reporting of results and significantly improving the application of accountability.

General Government (Business Support, Chief Administrative Officer's Office, City Clerk, City Solicitor, Corporate Communications, Human Resources) and **Police Service**

- Processed financial payments and ensured reports were provided for economic development and tourism services including City Centre Development Agency (CCDA), Economic Development Alliance (EDA), Tourism Medicine Hat, Canadian Badlands and Palliser Economic Partnership.
- Conducted the October Municipal Election.
- Conducted the November City Centre Development Agency Election.
- Services delivered within approved budgets.
- Ensure financial payments and reports provided and processed in a timely manner. Review and recommend action as current Tourism Services Agreement expires in September 2008.
- Conduct the May 2008 City Census.
- Implement technological services/process from voting to City Council Packets.
- Deliver services within approved budgets.

Public Services Division (Community Development, Cultural Development, Disaster Services, Fire Services, 911 Services, Parks and Outdoor Recreation)

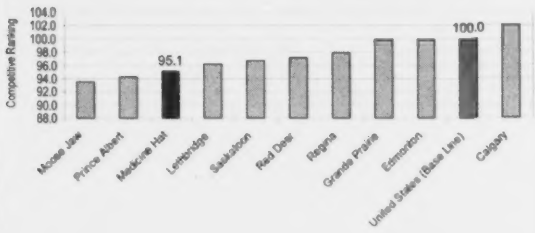
- Recreation and Leisure Services – Event Centre capital grant proposal submitted.
- Completed and signed new Fire Dispatch contracts with rural partners in Cypress County, County of 40 Mile and Special Areas.
- Recreation and Leisure Services – Event Centre capital and operating funding analysis.
- Continue to investigate options for additional business opportunities such as 911 call answer in the County of Newell, and Fire Dispatching in the County of Newell and more of Special Areas.

Highlights

KPMG 2008 Competitive Alternatives Study

Measures cost components for start-up and operation of various businesses/industries by location among Canadian cities. The lower the overall score, the more cost effective and attractive the location.

Medicine Hat Third in Western Canada



Medicine Hat Quality of Life Study

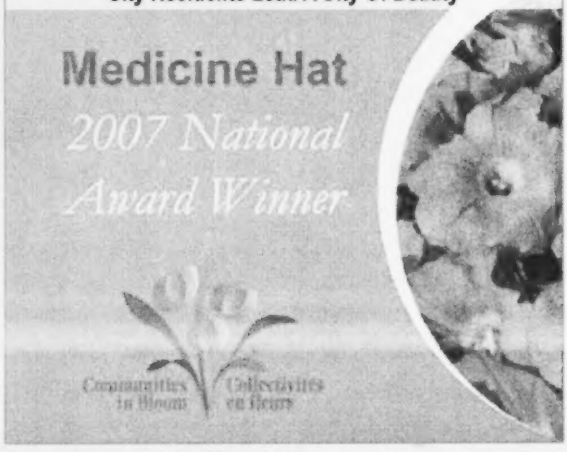
Completed May 2007

Top Ten Categories

1. Prosperity and independence
2. Health
3. Safety
4. Neighbours and Relationships
5. Hopefulness/emotional wellbeing
6. Environmental concerns
7. Municipal Government
8. Recreation and culture
9. Social Supports/inclusion and poverty
10. Education

Improved Customer Service in Solid Waste Collection

City Residents Lead A City Of Beauty



CORPORATE GOALS /

2007 Goals - What we said we were going to do

- Improve annual stakeholder inclusiveness, understanding and satisfaction.
- Know residents and their needs:
  a. Communicate service level changes well in advance through three forms: (i) written word, (ii) verbal, and (iii) in pictorial form.
  b. Obtain feedback to confirm customer expectations.
  c. Continue to focus on our citizens by delivering on our "2X14 Service Commitment", based on "win-win", with no surprises, when changing service levels or on publicly sensitive issues.
- Community Development:
  a. Attend to the well-being of all residents. Focus will be on a balanced approach to developing and enhancing protective, social, transportation, culture, housing, recreational, and other services into the community.

- Customer Service:
  a. Continually create value for residents.
     - By being truthful to the customer and delivering on our word.
     - Removing customer annoyances or irritants without being asked.

Highlights

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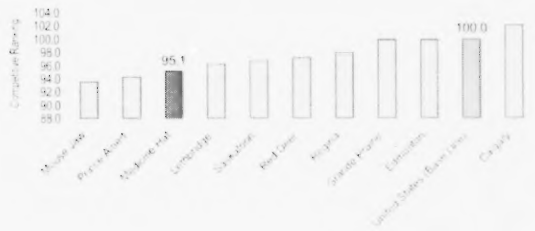

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- Community Development:
  a. Attend to the well-being of all residents. Focus will be on a balanced approach to developing and enhancing protective, social, transportation, culture, housing, recreational, and other services into the community.
  b. Develop Quality of Life Indicators for measuring progress toward our vision.
- Customer Service:
  a. Continually create value for residents.
    - By being truthful to the customer and delivering on our word.
    - Removing customer annoyances or irritants without being asked.

ACTION PLANS

2007 Results - What we did

2008 Goals - What we plan to do

Corporate Services Division (Corporate Asset Management, Finance, Information and Computer Services, Land and Properties)

- The number of customers using online e-Services (e-Tax) increased by 13 per cent, the use of Internet banking for payments also increased (24 per cent for tax and accounts receivables and 18 per cent for utilities).
- Launched a revised customer-centered City website that provides timely and useful information to residents/customers. Included a new look and feel, a "HAT Smart" website to educate residents on saving energy and conserving water, a new City Photo Gallery to handle the large number of requests for city photos and the posting of City Council meeting minutes.
- Improved resident safety by installing GIS enabled laptops in two Fire Service primary response vehicles, allowing dispatch and crews to quickly and accurately locate any city address. Improved customer relationships by filling requests for GIS data by consultants and contractors who provide services to the City.
- Developed 414 lots (R-1, R-2 and R-3) and sold 387, leaving an inventory of 98 lots (71 lot carry over from 2006) at 2007 year end.

- Continue to focus on our residents by delivering our 2x14 Service Commitment, based on a "win-win", with no surprises when changing service levels or on publicly sensitive issues.
- Continue to promote the use of online services.
- Continue to improve and expand e-Services to support a 24x7 environment. Work with departments to complete and launch the new e-Utility system to provide residents/customers with online access to their Utility Billing information and the new e-Permit application to provide contractors with online access to their permit and inspection information. Enhance i-Map services and improve the points of interest for visitors and residents.
- Continue to investigate feasibility of implementing new public networks at other City facilities.
- To meet a variety of demands for residential units, the plan is to develop 320 lots and a number of other sites that will accommodate multi-family and commercial lots through the Expression of Interest (EOI) process. Based on direction from Council, the Land and Properties department donated a second affordable housing site (valued at $1.1 million dollars) to the Medicine Hat Community Housing Society (MHCHS).

Development and Infrastructure Division (Environmental Utilities, Municipal Works, Planning, Building and Development)

- Delivered water, sewer, solid waste and storm sewer services in compliance with environmental standards.
- Initiated the development phase of Residential Automated Garbage Collection System.
- Airport Strategic Master Plan was adopted with conditions by Council.
- Provided a safe transportation network for vehicles, cyclists and pedestrians.
- Used media advertising and the Internet, in advising of street sweeping and lane grading programs, and open houses were used to inform the public of capital projects.
- Delivered services including support to residential and commercial development in our growth nodes - Ranchlands, Southlands, Box Springs Building Park (Costco), and the Royop Commercial site.
- Met the objectives of the 2x14 policy.

- Deliver water, sewer, solid waste and storm sewer services in compliance with environmental standards.
- Implement a major rollout of Residential Automated Garbage Collection System.
- Continue using media advertising, Internet services and open houses in advising customers and stakeholders of operational issues and capital projects.
- Provide a safe transportation network for vehicles, cyclists and pedestrians.
- Implement portions of the Airport Strategic Master Plan.
- Deliver planning, building and development services with a view to seek ways to improve in customer support and how the City works with the development industry.
- Continue to meet the objectives of the 2x14 policy.

Energy Division (Electric Utility, Environment, Gas Utility)

- Electric Distribution worked in conjunction with other Alberta Electric Utilities to introduce a public safety campaign in Medicine Hat and surrounding area to reduce the number of public/contractor line contacts.
- Electric Distribution educated 409 area students in electric safety using the interactive Hazard Hamlet Electricity Education Program.
- A new business unit (Electric Retail) was incorporated in the Electric Utility facilitating improved financial measurements and accountabilities.
- Performance benchmarking continued to play an important role in effectively managing down costs and increasing customer service.
- Electric Generation Availability was 90.16 per cent, which was above the Canadian Electric Association target of 89.53 per cent.
- Electric Distribution Index of Reliability was 0.999730 for 2007. Two major summer storms and a generator trip in November contributed to being slightly below the top quartile target.
- Electric Utility worked with the Alberta Electric System Operator (AESO) regarding Southeast Alberta transmission needs and constraints.
- Hiring of Energy Conservation Coordinator for a one-year term. Development and partial implementation of a residential energy conservation strategy.

- Continue to operate Electric Generation as environmental stewards. Manage CO2 emission levels so that additional carbon cost impacts are minimized.
- Provide Electric Power Plant availability at or beyond current Canadian standards and deliver energy supplies through operating efficiencies.
- Electric Retail will maintain scrutiny over costs and search for opportunities to reduce costs and/or add value to the services provided, thereby continuing to provide a Medicine Hat Advantage to customers.
- Electric Distribution will ensure system capacity is adequate to serve customer load and maintain system reliability and reduce average outage frequency.
- Development and distribution of Residential Conservation Guide.
- Encourage energy conservation by hosting ecoEnergy Home Retrofit seminars.
- HAT Smart participation at the 2008 Spring Trade Show, Kinsmen Lotto Home and other energy conservation initiatives.
- Propose changes to "employee delegation of authority" to allow a wide variety of optional offerings for gas customers.

- Council approval of ecoEnergy Home Retrofit Seminars and associated $100 home audit discount for up to 600 attendees.
- Development of HAT Smart brand as a vehicle to promote awareness around City of Medicine Hat environmental initiatives.
- Feedback obtained from stakeholders/customers on capital projects (Kensington Main Replacement and 7 Street S.E. Main Replacement) was overwhelmingly positive.
- Accomplished all the "2 x 14" service requests directed to the business unit.
- Met with stakeholders/customers on commodity rates for 2007 and provided forum for discussion.

- Continue to communicate with major customer groups to ensure understanding of group's needs and develop policies that attempt to meet them.

General Government (Business Support, Chief Administrative Officer's Office, City Clerk, City Solicitor, Corporate Communications, Human Resources) and **Police Service**

- Monitor, analyze and provide economic development relevant information for internal and external customers.
- Resident Satisfaction Survey deferred to 2008.
- Launched new customer-centered City website in February and began development on an Information Centre for City Hall, including digital signage.
- Issued a 2006 Annual Report and Report to Residents.
- Corporate Communications worked with departments to develop numerous communication campaigns and information materials to inform residents about services, projects and programs.
- Police Service responded to residents' concerns and focused on several initiatives including:
  - Improved Bylaw Enforcement service by renewing and refocusing on purpose and strategic direction, reallocating resources, and measuring and valuing officer initiated investigations.
  - Focused a four-member Mountain Bike Unit to primary service in the downtown business core and surrounding recreational areas. This resulted in unprecedented statistical arrests, contact with the public, and reduced crime and the fear of crime.
  - Strategically planned several initiatives on impaired driving enforcement. This resulted in a 34 per cent increase in charges and no alcohol related driving deaths since the inception of the initiatives.
  - Through consistent enforcement, the percentage of tickets issued compared to total number of vehicles was reduced which equates to increased speed limit compliance.

- Enhance statistics and data information. Ensure relevancy and enhance on-line information.
- Undertake Resident Satisfaction Survey.
- Continue to review Internet customer feedback and suggest ongoing improvements to the corporation and departments. Undertake a review every six months.
- Issue a 2007 Annual Report and Report to Residents.
- Corporate Communications to continue to work with departments to ensure the timely delivery of information to residents.
- Minimize crime through intelligence lead policing initiatives.
- Continue with impaired driving initiative and other road initiatives to enhance public safety.
- Conduct a public survey, delivered to every third household in the community, to obtain customer feedback on service delivery.
- Implement a Digital Signage system for the City Hall Information Centre to inform residents/customers of City services and amenities.

Public Services Division (Community Development, Cultural Development, Disaster Services, Fire Services, 911 Services, Parks and Outdoor Recreation)

- Liaised with various community groups and stakeholders regarding transit needs and the Long Range Transit Study.
- Social Development - Quality of Life Indicators were developed utilizing a comprehensive public consultation process in 2007.
- Became the first 911 Centre in the world to achieve accreditation in Police protocols.
- Implemented 911 Service in Acadia Valley area (the only area not being served by 911 in Alberta).
- Playground Management Plan was completed and approved by City Council. Information letters were sent to the Ross Haven, Rossland, and Southview area residents informing them of changes. Improved stakeholder inclusiveness and understanding through discussions with the Advisory Committee on Disability Issues regarding playground accessibility.
- Carried out a variety of informational and consultation forums for capital projects that may impact the public. Met with residents in July and sent out informational letters for residents affected by construction of Kiwanis River Park Redevelopment.

- Finalize Long Range Transit Implementation Plan, subject to the approval of City Council and implement a new marketing strategy to promote public transit and route enhancements.
- Medicine Hat 911 will be the first 911 Centre in the world to achieve accreditation in all three disciplines - Fire, Police and Ambulance.
- Continue with the Playground Management Plan implementation and public interaction process.
- Carry out various informational and consultation forums for capital projects that may impact the public.

Highlights

911 - Accredited Centre of Excellence Emergency Response and Dispatch

Excellence In Financial Reporting

CORPORATE GOALS / COUNCIL'S PRIORITIES 2005-2007

2007 Goals - What we said we were going to do

- Annually improve business processes that affect our residents with a focus on customer service.
- Achieve major positive impacts through the redesign of selected processes offering high potential.

Strategic Plan:

- Ensure strategic direction, goals and objectives and Council priorities are kept current.

Continuous Improvement:

- Seek new approaches and best in class methods to support our "Mission".

Sustainable Utilities:

- Explore alternative energy forms to stay in the energy business while achieving full cost recovery.

Sound Infrastructure:

- Apply Smart Growth principles in consideration for sustainability with all growth initiatives.

Economic Development:

- Balance approach to economic development and city core revitalization. Focus will be on providing quality services, amenities, and an environment that supports existing businesses and attracts new ones.

Environmental Stewardship:

- Focus will be on developing an organizational framework that will facilitate due diligence on all City operations and coordination of resources in ensuring sustainable development.
- Water strategy on upstream quality and City of Medicine Hat quantity intake.
- Environmental focus to identify community priorities and implementation strategy.
- Identify waste diversion alternatives.

Highlights

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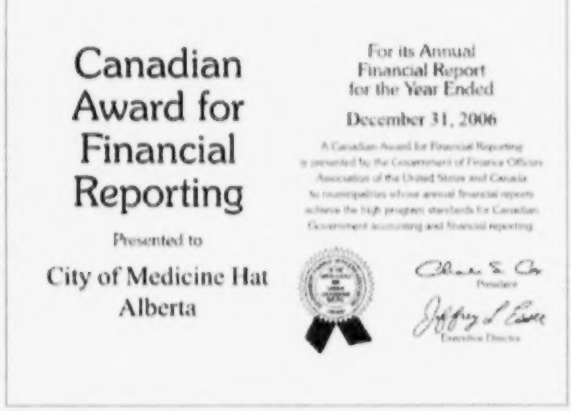
Excellence In Financial Reporting


Canadian Award for Financial Reporting
Presented to
City of Medicine Hat
Alberta
For its Annual Financial Report for the Year Ended
December 31, 2006

CORPORATE GOALS /

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ACTION PLANS

2007 Results - What we did

2008 Goals - What we plan to do

Corporate Services Division (Corporate Asset Management, Finance, Information and Computer Services, Land and Properties)

- Reinspected 3,918 properties to comply with Provincial Assessment Regulations.
- Assisted Human Resources in the redesign and development of a new Human Resource Information System. Integrated new third party oil and gas software to work with City legacy applications. Upgraded Tax and Assessment System.
- To insure the City networks are secure, a Network Security Audit was conducted on five networks. A number of the recommendations identified in the audit of the Primary Network were rectified. In addition, a new Network Backup System was implemented for both the City and the Police networks.
- Process improvements to the lottery land sale process and worked with the Planning, Building and Development department on development guidelines for R-2 and R-3 developments.
- Received the Government Finance Officers Association Canadian Award for Financial Reporting for the fifth year in a row.

- Reinspect 4,600 properties to comply with Provincial Assessment Regulations.
- Continue to improve business processes by assisting Human Resources in completing the development and implementation of the new Human Resource Information System. Implement a Canada Post Address Accuracy solution to verify City address information. Upgrade the Customer Service Management System (CSM) from Version 8 to Version 10.
- Work on developing long-term solutions to the office space challenges facing the corporation.
- Continue to improve the Expression of Interest (EOI) and development process. Work with other departments (i.e. Planning Building and Development and Environment) to apply Smart Growth Principles to the City's residential subdivisions, starting with Southlands Phase 6 and continue to evolve the development of the development guidelines for R-2 and R-3 properties.

Development and Infrastructure Division (Environmental Utilities, Municipal Works, Planning, Building and Development)

- Developed a wise use of water strategy and policy.
- Completed the Municipal Works Bridge Inventory and Condition Reports.
- Developed a set of City Council approved Smart Growth Principles for future developments.
- Initiated Area Redevelopment Plans for the North Flats and Hospital areas.
- Continued to support the development of an Inter-Municipal Development Plan with Cypress County and the Town of Redcliff and assessment of a Regional Services provider for water, sewer, and solid waste.

- Continue the implementation of the wise use of water education strategy.
- Continue to work towards lifecycle management for Municipal Works infrastructure.
- Continue to explore options that incorporate smart growth principles in to our development standards.
- Complete the vision, principles and policy direction for City Council approval on the Area Redevelopment Plans for the North Flats and Hospital areas.
- Complete the Inter-Municipal Development Planning Process and Regional Services decision.

Energy Division (Electric Utility, Environment, Gas Utility)

- Electric Generation developed clear performance targets for employees in the areas of safety, Plant availability and value added services. Availability was exceeded by 0.63 per cent and efficiency improved by 9.52 per cent.
- Electric Generation improved system utilization and heat rates. The 2007 average heat rate improved by eight per cent over 2006 values.
- New web-server technology was applied to Electric Distribution SCADA application, enabling remote viewing of up-to-the-minute system data, in order to increase effectiveness to/of employees.
- Environment worked with operating departments and the Ad Hoc Environmental Strategy Advisory Group to develop performance measures and targets associated with the community's environmental priorities.
- The Environment department created an Environmental Advisory Committee to increase internal awareness about environmental risk management and to facilitate more effective implementation of the Environmental Management Policy.
- The Environment department continued to work on the development of a variety of renewable energy projects including the Box Springs Wind Farm and Aquifer Thermal Energy Storage Demonstration Project.
- Continued scheduled replacement and upgrading of Gas Distribution infrastructure to meet customer demand.
- Emphasized customer communication in several initiatives around rates and process.
- Standardization of AccuMap as the graphic user interface for engineering and geology within the Natural Gas and Petroleum Resources group for department operational efficiencies.

- Electric Generation will continue to improve systems utilization and effectiveness in order to reduce cents per kilowatt hour (kWh) produced or purchased.
- Electric Distribution will provide a business case to determine if a Work Management System is needed and cost effective.
- Electric Retail will ensure the City of Medicine Hat's interests are represented at Provincial electric industry stakeholder forums.
- Electric Utility will function under a competitive business like model that clearly defines revenue and costs.
- Distribution of the environmental performance measures and targets through City Council's adoption of the Community Environmental Roadmap.
- Environment department to issue an Environmental Risk Management Annual Report to evaluate the City's current risk exposure and create additional awareness within administration and City Council about the City's Environmental Management Policy and associated procedures.
- Capital budget recommendation to City Council for both the Wind Farm and Aquifer Thermal Energy Storage (ATES) projects in the first quarter based on completion of technical and financial due diligence.
- Environment department to work with the Electric Utility to develop microgeneration interconnection guidelines to allow for the safe interconnection of microgeneration systems to the City's electric system.
- Environment department to review a variety of other potential alternative energy projects to determine local feasibility.
- Focus on operational reporting to assist line supervisors in managing operating costs and applying accountability.
- Make the safety/environment function a high priority in the Natural Gas and Petroleum Resources group by recruiting needed staff to aid in achieving "Certificate of Recognition" and compliance with "regulations".

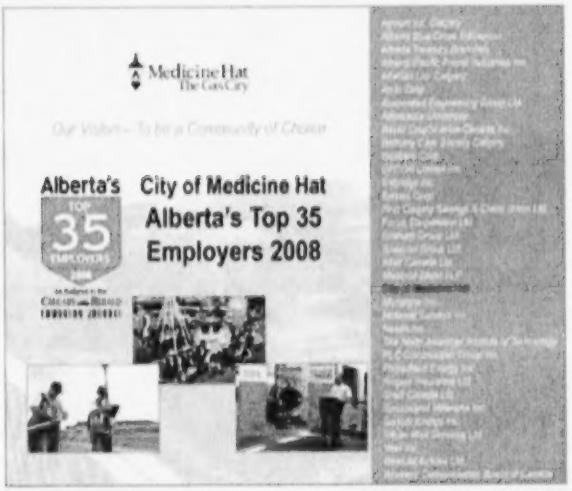
General Government (Business Support, Chief Administrative Officer's Office, City Clerk, City Solicitor, Corporate Communications, Human Resources) and **Police Service**

- Provided support services to internal departments, Chief Administrative Officer and Mayor.
- Corporate Communications improved its service offering with the addition of centralized graphic design services for all departments.
- Human Resources continued with the design and internal development of a Human Resources Information System.
- As part of ongoing day-to-day services, continued review of various Human Resources policies and procedures. Implemented new policies regarding Non-Union Employment Terms and Conditions, Vacation and various Human Resource protocols, plus did background work to several others coming forward for approval in 2008.
- Police Service conducted section and unit audits aimed at maximizing efficiencies of deploying resources which resulted in the creation of Major Crimes Section and Organized Crime Section to focus on the identified needs of the community.
- Business Support to facilitate transition of new City Centre Development Agency Board and Mayor's Youth Advisory Committee.
- Continue to provide support services to Chief Administrative Officer and Mayor.
- Finalize Corporate Communications service offerings to the organization.
- Human Resources to "go-live" with Phases A and B of the Human Resources Information System in December 2008. Determine priority of advancing on Phase C as part of 2009-2011 budget deliberations.
- Review and approve new policies and procedures re: Disability Management, Attendance Management, Recruitment and Selection, Substance Abuse, Pandemic Influenza Staff Support, City Drivers and others as identified.
- Police Service will review, restructure and rewrite Service procedures to meet internal functional needs and Provincial standards.
- Police Service will continue to focus on recruitment and retention.
- Police Service will explore and implement creative success celebrations.

Public Services Division (Community Development, Cultural Development, Disaster Services, Fire Services, 911 Services, Parks and Outdoor Recreation)

- Senior Services successfully piloted an operational change demonstrating financial savings and program efficiencies capitalizing on the strengths of and strong relationships with members, Senior Citizens Advisory Committee and staff partners.
- Completed GPS project for Police Services. All Police units now have GPS capability.
- Social Development to review grant/service contract process and allocation.
- GPS technology will be implemented for all Palliser Health Region ambulances, all Cypress County emergency vehicles and all County of 40 Mile vehicles.

Highlights



Building Better Working Relationships

Our Values

"We are committed to these core VALUES to enable us to achieve our VISION"

- Innovation, creativity & diversity
- Openness, debate & participation
- Performance results
- Being proactive
- Balanced & responsible development
- A long-term perspective
- Well-being of residents & employees
- Principle of self-determination
- Continuous learning & staff development

Constructive Culture Journey

"A Commitment to live these Behaviours"

1. Support Each Other
   - Mutual Respect
   - Positive Attitude
   - Encouragement
2. Build Healthy Relationships
   - Understand each other
   - Teamwork
   - Open Communication
3. Achieve Excellent Results
   - Excellence
   - Continuous Improvement
   - Commitment
4. Fulfill Our Potential
   - Personal Integrity
   - Innovation
   - Responsibility

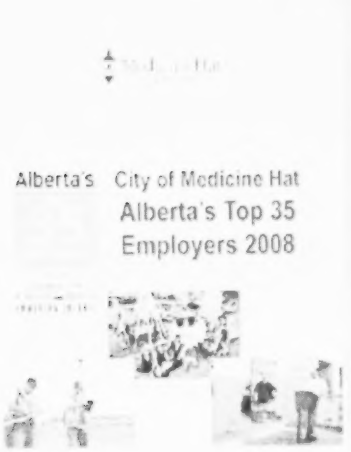
CORPORATE GOALS /

2007 Goals - What we said we were going to do

- Achieve annual improvements over the 2000 Employee Survey benchmarks – with a target of a 90 per cent satisfaction rating on Statement 10 of the Employee Survey.
- Grow the talent level and knowledge base of our workforce with an eye to succession.
- Improve the strength of the organization through people development:
  a. Continue to develop leaders at all levels within the organization through training opportunities, practical application assignments and feedback / coaching.
  b. Provide clearer information and foster improved understanding within supervisory staff to increase their effectiveness in working with various people-related issues.
  c. Continue to encourage and support technical training opportunities that enhance the City's ability to deliver quality service.
- Achieve a high percentage of employees indicating satisfaction that personal development opportunities support their career objectives.
- Positive Work Environment:
  a. Achieve a more constructive culture through better communication and strong relationships.
  - Having a high percentage of employees indicate good understanding about the corporation's mission, values, plans, policies and processes.
  - Everyone completes an Achievement Planner to ensure clarity of roles and expectations.
  - Providing regular, ongoing opportunities for employees to give feedback and provide input on matters concerning their workplace.
  - Striving to foster open and trusting relationships with each union and all employees through an issues-based, win-win approach that minimizes the need for formal conflict resolution.
- Employee Attraction / Retention / Succession Planning:
  a. Maintain effective hiring practices and support employees with building a lasting career with the City.
  - Supporting hiring / promotional practices that serve to align employees' values / skills with organizational value / needs and minimize turnover.
  - Provide competitive, fiscally responsible total compensation relative to the marketplaces in which we compete for talent and adhering to our compensation philosophy.
  - Respond to the changing demographics of today's workforce by expanding on opportunities for workplace flexibility including hours of work, benefits and alternate assignments.
  - Developing proactive succession planning strategies to address the significant turnover expected within the corporation over the next three to eight years.
- Safety / Employee Wellness:
  a. Support a safe and caring environment and encourage work life balance.
  - Meet all legal and ethical responsibilities to accommodate disabled workers in a safe and productive manner.
  - Increase preventative efforts to reduce incidents of workplace injury and progress towards the Provincial Target of no more than two lost time incidents per 100 full-time equivalent (FTE) employees annually.
  - Initiate and support a balance of proactive wellness initiatives to encourage our employees to be healthy resulting in decreased absenteeism figures.

Organizational Learning and Growth >> *Supporting a Strong Workforce*

Highlights



Building Better Working Relationships

Our Values

"We are committed to these core VALUES to enable us to achieve our VISION"

- Innovation, creativity & diversity
- Openness, debate & participation
- Performance results
- Being proactive
- Balanced & responsible development
- A long-term perspective
- Well-being of residents & employees
- Principle of self-determination
- Continuous learning & staff development

Constructive Culture Journey

"A Commitment to live these Behaviours"

1. Support Each Other
   - Mutual Respect
   - Positive Attitude
   - Encouragement
2. Build Healthy Relationships
   - Understand each other
   - Teamwork
   - Open Communication
3. Achieve Excellent Results
   - Excellence
   - Continuous Improvement
   - Commitment
4. Fulfill Our Potential
   - Personal Integrity
   - Innovation
   - Responsibility

CORPORATE GOALS / COUNCIL'S PRIORITIES 2005-2007

2007 Goals - What we said we were going to do

- Achieve annual improvements over the 2000 Employee Survey benchmarks – with a target of a 90 per cent satisfaction rating on Statement 10 of the Employee Survey.
- Grow the talent level and knowledge base of our workforce with an eye to succession.
- Improve the strength of the organization through people development:
  a. Continue to develop leaders at all levels within the organization through training opportunities, practical application assignments and feedback / coaching.
  b. Provide clearer information and foster improved understanding within supervisory staff to increase their effectiveness in working with various people-related issues.
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  a. Achieve a more constructive culture through better communication and strong relationships:
     - Having a high percentage of employees indicate good understanding about the corporation's mission, values, plans, policies and processes.
     - Everyone completes an Achievement Planner to ensure clarity of roles and expectations.
     - Providing regular, ongoing opportunities for employees to give feedback and provide input on matters concerning their workplace.
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     - Initiate and support a balance of proactive wellness initiatives to encourage our employees to be healthy resulting in decreased absenteeism figures.

ACTION PLANS

2007 Results - What we did

Corporate Services Division (Corporate Asset Management, Finance, Information and Computer Services, Land and Properties)

- Leadership development through employee participation in and completion of the Personal Mastery and Workgroup Leadership programs.
- Staff have completed Achievement Planners with supervisors reviewing on a semi-annual basis.
- Continue to work with other departments on monthly coordination of meetings to resolve various issues and challenges.
- Corporate Asset Management had no lost time claims for 2007.

Development and Infrastructure Division (Environmental Utilities, Municipal Works, Planning, Building and Development)

- Conducted orientation visits of Environmental Utilities operational facilities for executive and council.
- Provided staff with core training required for compliance with existing safety and environmental regulations and policies.
- Continued with development and training for our staff.
- Focused on enhanced communication to remove barriers.

Energy Division (Electric Utility, Environment, Gas Utility)

- Electric Utility continued with its ongoing Safety Program, focusing on education, training and resources to provide a safe work environment for all employees.
- Two Electric Distribution Apprentices achieved Journeyman Power Lineman status in 2007.
- Electric Generation Maintenance Superintendent co-authored and presented a paper regarding the LM2500 Dry Low Emissions (DLE) combustion turbine at the Power Generation International Conference in New Orleans.
- Continued to focus on constructive culture within the Energy Division and the relationship with the Corporation as a whole.
- Developed and rewrote the training program within Gas Distribution to clarify expectations and ensure current competency with existing employees.
- Used the employee recognition program and compressed work week to assist employees in achieving work/life balance.
- Hosted Energy Division Open House for all City staff and their families, showcasing safety, operations and environmental initiatives.

General Government (Business Support, Chief Administrative Officer's Office, City Clerk, City Solicitor, Corporate Communications, Human Resources) and **Police Service**

- Supported Constructive Culture as a work group. Held several Constructive Culture discussions within employee group.
- Business Support assisted the senior administrative team with non-union meeting.
- Launched an Executive Team's Action Plan to Improve Internal Communications in the organization. Executive Team provides quarterly updates to employees and Council.
- Revised the employee Intranet to improve the delivery of information to staff. Encouraged departments to use the Intranet rather than the "EVERYONE" e-mail system for delivering information to all staff.
- Corporate Communications provided communications coaching to leaders at all levels in the organization.

2008 Goals - What we plan to do

- Continue to provide the type of environment that encourages staff to grow and develop to reach their potential.
- Continue to provide staff with the opportunity for on-going learning and development through the Achievement Planning process, professional development, Human Resource training initiatives and workshops.
- Continue to pursue initiatives with Planning, Building and Development to streamline the approval process for both private and public sectors. The Land and Properties department will continue to be used as a "test case" for new initiatives in development guidelines and subdivision initiatives.
- Continue to support safety initiatives.

- Conduct orientation visits of Development and Infrastructure operational facilities for new council and executive.
- Provide staff with core training required for compliance with existing safety and environmental regulations and policies.
- Hire additional staff and continue to focus on training and development to develop capacity and capability given growth, service level expectations and work-life balances.
- Continue to focus on succession planning within the division.
- Continue to look for opportunities to communicate with internal and external customers and stakeholders to remove barriers.

- Continue in our efforts to promote a strong commitment to the health and safety of employees, contractors and consultants as per the procedures set forth in the City of Medicine Hat Workplace Safety 2.0 Program.
- Support and encourage employees to further their education and development through participation in courses, seminars, conferences and apprenticeships.
- Continue to promote a Constructive Culture by engaging employees to achieve their full potential using the corporate Vision as the guideline; promoting staff development, success measures, strategic and business planning and by developing and deploying employee survey instruments.
- Complete the restructuring and reorganization of the Natural Gas and Petroleum Resources group by adding needed staff and resolving office space issues.
- Ensure every employee receives feedback on an annual basis, on their performances, as well as be given an opportunity to plan their career.
- Continue building internal resources and strength by supporting educational initiatives and technical training.

- Continue constructive culture discussions within employee group.
- Continue to report on the Executive Team's Action Plan to Improve Internal Communications and begin to develop other action plans throughout the organization to improve internal communications.
- Continually update the Intranet and undertake a review every six months.
- Continue to provide communication coaching to employees.
- Continue to publish employee newsletter In the Loop six times a year.
- Have ongoing Achievement Planning discussions with employees.
- Police Service to implement Service wide coaching and mentoring program.

- Published employee newsletter In the Loop to connect and share information with employees.
- All staff participated in Achievement Planning and Feedback Process.
- Police Service initialized process to individualize learning and career development plans to align with Service needs.
- Police Service sponsored several post-secondary educational initiatives to address succession planning.
- Police Service trained and certified a polygraph operator to enhance investigative excellence and maximize efficiency in recruitment processes.
- Police Service created and implemented a service wide fitness and lifestyle initiative.
- Human Resources continued to offer a variety of in-house professional development and contracted safety training including one group of the Work Group Leader Program. In response to the Constructive Culture focus in various departments, Human Resources facilitated/organized numerous department "team-building" initiatives with management.
- Ongoing professional development of Human Resources staff through various accredited courses, seminars, conferences, etc. Opportunities provided to engage in project work as an opportunity to gain additional experience and expand competence.
- Periodic discussions within Human Resources staff meetings to keep the focus on continually taking steps towards and remaining accountable to Constructive Culture. All commissioners and general managers completed a Feedback Tool for Leaders to gain other perspectives on their own leadership behaviours.
- On policy matters that directly impact labour, unions are provided copies of draft policies and asked for input.
- Continued expanded use of Intranet to provide corporate policy, procedure and program information to supervisors and employees. Periodically met with management teams on various Human Resources issues to clarify corporate expectations and balance against department needs.
- Concluded negotiations with both locals of the International Brotherhood of Electrical Workers (IBEW). Initiated comprehensive Non-Union Market Review. Proactively addressed rapidly changing market conditions by providing a one per cent salary adjustment to employee groups (effective January 2008). Advanced on a comprehensive review of Group Benefits.
- Processed approximately 275 new hires (permanent and temporary and disability case managed over 300 files in 2007 (record volumes for Human Resources).
- Periodic discussions at the Executive Team level regarding succession planning within the Non-Union Group. Departments worked in conjunction with Human Resources to address in-scope employee succession needs.
- Police Service to implement a fair and equitable evaluation and career planning process which focuses on positive competency and behavioral development of our staff.
- Police Service to strive for investigational excellence by being vigilant in continued training and development.
- Human Resources to continue with the next group of Personal Leadership Program and to respond to departmental requests for team-building/strategy-setting initiatives. Continue to plan and implement other workshops based upon corporate needs (e.g. customer service, conflict resolution, facilitation, etc). Continue to refine delivery of safety related training.
- Continue to provide ongoing professional development of Human Resources staff through various accredited courses, seminars, conferences, etc.
- All Human Resources Work Group Leaders to complete the Feedback Tool for Leaders.
- Continue to provide copies of draft policies and ask for input on policy matters that directly impact labour, unions.
- Improve Human Resources component of Internet as a job marketing tool in the City's recruitment process.
- Continue to consult with managers and the Leadership Team on important Human Resources policy matters to ensure an appropriate blend of corporate, departmental and individual employee considerations.
- Implement Non-Union Salary Grid Changes based upon current market factors. Reach a new collective agreement with the International Association of Fire Fighters (IAFF). Determine and implement final changes to Group Benefit Plan.
- Add extra resources and evolve processes to address the expanding volume and complexity of the workload in Human Resources.
- Continue to increase priority of succession planning discussions at the Executive level. As part of the Achievement Planning and Feedback Process, incorporate a strategy that will assist with employees identifying their desired career aspirations so the Executive has both "demand" and "supply" information to consider.

Public Services Division (Community Development, Cultural Development, Disaster Services, Fire Services, 911 Services, Parks and Outdoor Recreation)

- Continued to provide an environment that supported two-way communication and continuous feedback to encourage learning and growth. This was accomplished by encouraging employees to pursue education and training opportunities, job specific orientation, semi annual employee evaluations and providing a constructive culture that promotes and supports open communication.
- Held two Public Services Division Work Group Leaders' meetings to further the implementation of the Constructive Culture Initiative.
- Held regular Joint Workplace Health and Safety Committee meetings with a minimum of four meetings in each of the Parks and Outdoor Recreation department's 11 operating areas. Parks and Outdoor Recreation achieved in excess of 450 days without Lost Time Claims.
- Provide an environment that supports two-way communication and continuous feedback to encourage learning and growth.
- Hold another two Public Services Division Work Group Leaders' meetings and move towards implementation at successive layers within the division. Initiate the process in areas that have not yet been introduced.
- Continue with regular Joint Workplace Health and Safety Committee meetings with a minimum of four meetings in each of the Park and Outdoor Recreation department's 11 operating areas.

Financial >>

Treasurer's Report

For the year ending December 31, 2007

Introduction

The City is responsible for both the accuracy of the data and the completeness, and fairness of the presentation, including all disclosures. This report provides users with an overview of the City of Medicine Hat's financial performance.

The purpose of the Annual Report is to present the users and readers with insight of the financial results for our fiscal year end ended December 31, 2007. We strive to ensure this report presents fairly the financial position of the City of Medicine Hat. The report is divided into six sections:

- Introduction – Provides an overview of the Treasurer's Report.
- GFOA Award for Financial Reporting.
- Risk Management – Discussion of Risks and Risk Management Strategies.
- Management Reporting and Control – Provides an explanation of the planning, budgeting, accounting, auditing and reporting process.
- Financial Statement Discussion and Analysis – Presents a review of the City of Medicine Hat's financial activities and position for the fiscal year ended December 31, 2007. It is supplementary information to the financial statements, therefore should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- Financial and Statistical Schedules (Unaudited) – Presents a variety of statistical and financial information on a multi-year comparative basis.

Don Knutson
Acting Corporate Services Commissioner

GFOA Award for Financial Reporting

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2006, the fifth year in a row. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government entity must publish an easily readable and efficiently organized annual financial report with contents conforming to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

Risk Management

Risk Management deals with the City's exposure to risk and uncertainty to enable the reader to make informed judgments about the implications of these risks on the City's financial position.

(a) Operational Risk Management

The City's operations are insured under a conventional insurance program, which includes Property, Boiler and Machinery, Liability, Automobile and Oil and Gas Multi-Energy. The insurance program includes a self-retention component for those losses within the various deductible levels.

(b) Public Safety

The Medicine Hat Police Service has kept pace with the growth in the community and the demand for services from residents. This has been accomplished through implementation of technology and equipment to more effectively utilize resources while maintaining officer and public safety, as well as continued training and development of the Police Service personnel to maintain a sufficient level of expertise to enhance organizational strength. Funding to the Police Service has continued to increase to ensure the needs of the public are met.

The goal of Fire and Disaster Services is to provide quality protection to the community through the delivery of disaster services, fire, rescue, community safety and educational programs, and to rapidly respond to emergencies. The department continues to monitor city growth patterns and recommend changes or improvements that will provide a balanced measure of protection to new areas.

The City operates a 9-1-1 Communications Centre, serving the community as a single point of contact for allocation of emergency and essential services to the residents of Medicine Hat and area. 9-1-1 serves a regional population of approximately 100,000 with immediate contact capability for language interpreters, poison control, disaster services, chemical spill information and call trace. The aim is to maintain a level of service that meets or exceeds industry standards with respect to call answer times and protocol compliance. 9-1-1 Communications Centre will be the first Tri-Accredited (Fire, Police and Medical) centre of excellence in the world.

(c) Treasury Management

City funds are invested in accordance with Investment Policy #0110. The goal of this policy is to ensure the investment of City funds is made in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and while conforming to all provincial statutes and regulations governing the investment of municipal funds. Investment performance is benchmarked against the Scotia McLeod Universe Bond Index with an overall objective of sustaining a yield that exceeds 80 per cent of the index. The Treasury Team meets to review the investment portfolio and quarterly activity. A Treasury Report, complete with performance indicators, is compiled quarterly and distributed to the Audit Committee and City Council.

In addition, internal control procedures are designed to ensure that the daily handling of cash is managed in a secure methodology.

(d) Environmental

The Environment department serves as the focal point on matters relating to environmental stewardship and compliance. This department supports operating departments in maintaining appropriate levels of environmental due diligence by providing assistance in interpreting and complying with evolving and emerging environmental regulatory requirements and industry standards. One of the goals is to keep Council informed of the City's progress in striving for continual improvement in management systems that focus on both compliance and proactive excellence in matters of environmental stewardship. Another goal is to support Council's environmental stewardship priority by ensuring the City is in compliance with relevant laws, regulations and approvals, by informing key stakeholders within the municipality of current and emerging environmental issues that could impact upon the quality of life in Medicine Hat, and by striving to encourage a corporate culture that considers environmental protection during our normal course of business.

Management Reporting and Control

(a) Strategic Planning and Budgeting

City Council develops a Strategic Plan highlighting priorities, strategies and goals for the planning period. Based on the direction set out by the Strategic Plan, three-year departmental Business Plans are prepared. These Business Plans communicate each department's alignment with the Strategic Plan and identify:

- The core activities of the department and the aim of each activity.
- Departmental customers.
- Opportunities, trends and challenges faced by the department.
- Goals and objectives to be achieved by the department.
- Capital assumptions.

Budget guidelines and high-level financial projections are developed. Based on these guidelines and departmental Business Plans, departments develop their budget requests. Effective for the 2006–2010 planning period, City Council has approved the adoption of a three-year operating and capital budget with a two-year projection.

The Board of Commissioners reviews departmental budgets and when satisfied that budgets are aligned with the Business Plans, the budget recommendation is presented for Council approval.

Medicine Hat's Operating Budget lays out the revenues and expenditures for the planning periods that will be required to deliver City services.

A five-year Capital Improvement Plan is developed for all departments. The Capital Improvement Plans identify proposed capital project expenditures and their sources of financing.

Effective for the 2006-2008 budget period, the City has adopted a capital ranking process for the tax-supported departments. This process ensures that capital funding is allocated to the projects that will provide the highest value to the municipality.

(b) Accounting

The City of Medicine Hat is organized in four divisions, Corporate Services, Public Services, Development and Infrastructure, and Energy Division. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All divisions share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Commissioner of Corporate Services and delivered to each division based on their requirements.

(c) Auditing

The Municipal Government Act requires municipal Councils to appoint an independent auditor. In 2003 Medicine Hat City Council appointed KPMG LLP as the external auditor for a five-year term.

The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the Financial Report, and to express an opinion that the financial statements are free from any material misstatements. The auditor advises management and the Audit Committee of any control or operational matters that may have been identified during the audit procedure.

The Audit Committee, comprised of three members of City Council, is a Standing Committee of Council. The Audit Committee is responsible for recommending the appointment of the independent auditor, reviewing the terms of the engagement and overseeing management's responsibilities for financial reporting. The Audit Committee meets with management and the independent auditors to discuss the scope and timing of the audit, to review the auditors' findings, and to ensure management is carrying out its responsibilities.

(d) Annual Report

The Annual Report contains only summarized financial information. For full disclosure, the audited financial statements should be referenced, which is consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act. This report serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2007.

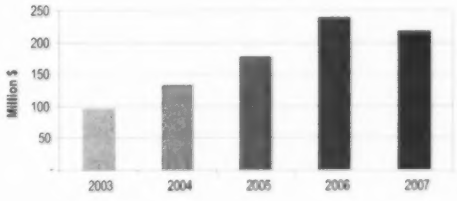
The information in this Annual Report is the responsibility of management. KPMG LLP, the City's independent auditors have not audited the accompanying statements.

Financial Statement Discussion and Analysis

Overall, the financial results for 2007 are favourable as compared to prior years.

- Capital Assets increased $164.2 Million. This increase is primarily related to the Electric Generation and Natural Gas & Petroleum Resources (NGPR) capital programs, including a $135 Million acquisition of Gas properties.
- Total Liabilities increased $45.4 Million in 2007. Other Long-Term Liabilities increased $29.3 Million. This increase is due primarily to the increase in the Gas Asset Retirement Obligation due to the acquisition, as well as related increases in cost estimates.
- Long-Term Debt increased $11.3 Million due primarily to lending for Water capital programs. During 2007 the City borrowed $112.0 Million, including $85.5 million related to the Gas acquisition. $1.4 Million of this increase relates to tax-supported expenditures. Principal in the amount of $95.8 Million was repaid. Of this repayment, $2.9 Million relates to tax-supported debentures while the balance relates to utilities, including $80.6 million related to the Gas acquisition.
- Consolidated operating revenue increased $32.5 Million (9.8 per cent) from 2006. This is primarily due to an increase in sales of $14.7 Million from Gas and $14.7 Million from Land.
- The City of Medicine Hat's investment return for the year ended December 31, 2007 averaged 4.06 per cent outperforming the Scotia McLeod benchmark index of 3.39 per cent. The City's average portfolio return has outperformed the stated benchmark the last five years.

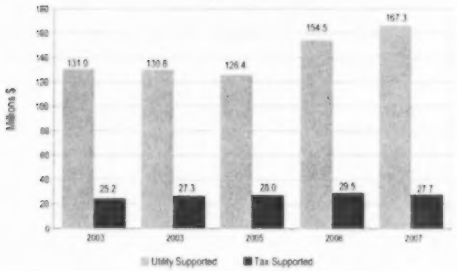
Investment Portfolio



Rate of Return

- Tax-supported debt per capita decreased from $517 to $490, Utilities-supported debt per capital increased from $2,711 to $2,935.

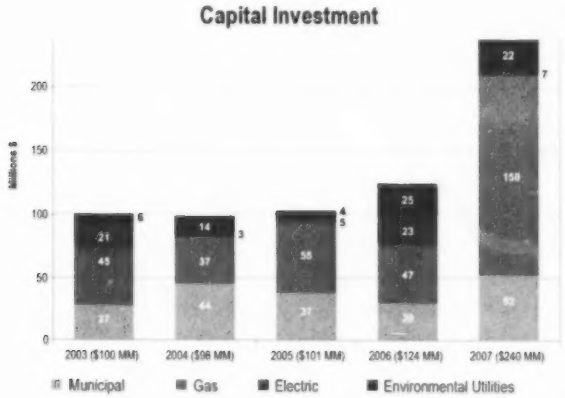
Long-Term Debt



Investments, Loans and Advances decreased $18.9 Million from 2006 due primarily to cash required to fund the $135 Million acquisition of properties for the Gas Utility.

During 2007 the consolidated fund balances decreased by $31.1 Million to $221.7 Million. This decrease is primarily as a result of funding the acquisition by the Gas Utility, offset by revenue generated from the sales of natural gas.

Capital Investment



Capital investment during 2007 totaled $239.7 Million. The majority of the funds were spent for Gas assets - $158.1 Million - with the most notable expenditures being $135 Million for the Gas property acquisition. Also significant was $5.6 Million for Brier Park industrial water system upgrade, $5.4 Million for Water Plant expansion, and $2.5 Million for Electric Generation Economizers. Municipal Operations spent $53.3 Million. Included in this total is $3.4 Million for mobile equipment, $1.3 Million for machinery and equipment, $1.2 Million for buildings, $3.8 Million for parks in new subdivisions, and $36.1 Million for roads in new subdivisions and upgrades.

Major sources of capital investment financing in 2007 were:

- Debt issues: $ 112.0 Million
- Transfers from Reserves: $ 160.7 Million
- Transfers from Operating: $ 22.8 Million
- Government Grants: $ 29.1 Million
- Developer Levies: $ 5.3 Million
- Donations and Other: $ 1.0 Million
- Sale of Assets: $ 0.3 Million

Management's Report

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of Management.

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgments of Management. Financial data elsewhere in the report is consistent with that in the financial statements.

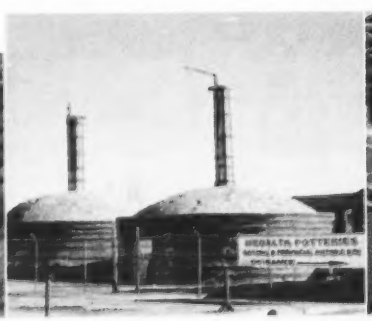
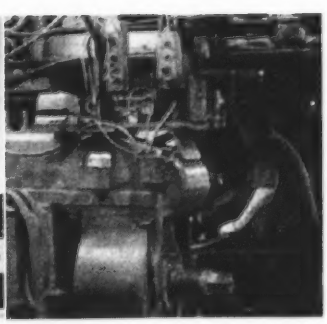
Management has developed and maintains an extensive system of internal controls that provide reasonable assurance that all transactions are appropriately authorized, that assets are properly accounted for and safeguarded, that all transactions are accurately recorded and that financial records are reliable for preparation of financial statements. As well, it is the policy of the City to maintain the highest standard of ethics in all its activities.

KPMG LLP, our independent auditors, have been appointed to express a professional opinion on the consolidated financial statements.

City Council, through its Audit Committee, comprised of three aldermen, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management and independent auditors to discuss auditing and reporting on financial matters and to assure that management is carrying out its responsibilities. The auditors have full and free access to the Audit Committee and management.

Chief Administrative Officer

Commissioner of Corporate Services

Financial and Statistical Schedules (Unaudited)
Financial Comparison 1999 - 2007

Consolidated Balance Sheet
(in Thousands of Dollars)

Assets	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Cash and Investments	$233,331	$254,671	$195,815	$141,717	$101,079	$62,909	$81,849	$89,808	$40,355
Investment In Subsidiary	-	-	-	-	-	-	47,360	-	-
Advances to Subsidiary	18,016	17,958	18,978	20,448	21,270	31,009	11,515	-	-
Accounts Receivable (Net of Allowances)	47,541	46,308	39,449	33,192	26,630	31,748	21,536	35,059	19,188
Inventory for Consumption	12,145	9,881	8,422	9,275	8,739	8,889	8,296	10,097	9,533
Inventories for Resale	21,765	27,696	22,177	20,022	17,800	18,545	18,433	14,541	13,845
Deposits and Other Assets	1,920	1,761	3,222	2,308	1,291	1,164	959	538	1,856
Prepaid Expenses	1,031	1,152	1,068	934	615	771	6,688	1,205	-
Long Lived Asset - Retirement Obligation	43,522	21,795	19,403	19,828	13,760	5,875	-	-	-
Capital Assets	1,127,516	963,304	904,689	867,318	820,226	774,640	653,145	629,889	652,048
	$1,506,787	$1,344,526	$1,213,223	$1,115,042	$1,011,410	$935,550	$849,781	$781,137	$736,825
Liabilities	2007	2006	2005	2004	2003	2002	2001	2000	1999
Trade Accounts Payable	$17,919	$20,935	$12,998	$17,908	$11,563	$16,786	$9,981	$12,077	$10,873
Accrued Liabilities	45,705	42,474	43,654	29,108	28,501	25,266	15,024	19,179	14,310
Short-Term Debt	7,928	2,248	-	-	-	9,984	19,809	-	-
Long-Term Debt	195,252	183,971	154,751	158,203	156,249	144,166	136,195	165,469	176,792
Loss In Subsidiary	6,205	7,310	8,086	9,798	9,978	8,092	-	-	
Other Long-Term Liabilities	84,784	55,507	45,914	39,285	29,604	19,093	15,664	13,657	10,588
	357,793	312,445	265,403	254,302	235,895	223,387	196,673	210,382	212,563
Equity									
Equity In Capital Assets	927,320	779,333	749,938	709,114	663,975	630,148	516,950	468,252	478,139
Fund Balances	221,674	252,748	197,882	151,626	111,540	82,015	136,158	102,503	46,123
	1,148,994	1,032,081	947,820	860,740	775,515	712,163	653,108	570,755	524,262
	$1,506,787	$1,344,526	$1,213,223	$1,115,042	$1,011,410	$935,550	$849,781	$781,137	$736,825

NOTES:

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- Effective 2005, the financial information for the Medicine Hat Public Library was excluded from the Financial Statements, as they are not owned or controlled by the City of Medicine Hat. This change was restated retroactively for 2004, 2003, and 2002. Information for 2001, 2000 and 1999 does not reflect these changes.

Financial and Statistical Schedules (Unaudited)
Financial Comparison 1999 - 2007

Operating Revenue and Expenditures
(in thousands of dollars)

Revenue From:	2007	2006	2005	2004	2003	2002	2001	2000	1999
Taxes	$56,257	$50,786	$46,217	$42,741	$41,270	$38,040	$35,370	$38,088	$35,650
Less - Requisitions	(22,292)	(21,383)	(20,574)	(19,973)	(18,733)	(17,650)	(16,006)	(18,831)	(18,516)
	33,965	29,403	25,643	22,768	22,537	20,390	19,364	19,257	17,134
Sale of Services									
General Government	8,101	6,998	6,029	5,632	5,220	5,177	4,674	4,194	3,576
Gas	157,875	143,133	161,387	129,817	129,178	96,188	112,707	101,268	47,646
Electric	69,327	72,057	55,856	58,399	53,687	47,778	74,475	93,036	66,573
Environmental Utilities	25,633	22,262	19,498	18,379	18,625	16,705	16,351	15,397	13,438
Land	33,873	19,184	17,165	22,081	16,203	15,050	11,183	5,748	8,280
Medicine Hat Public Library	-	-	-	-	-	-	87	94	111
Other Income									
Investment Income	12,169	10,286	6,875	5,496	4,654	5,338	5,292	3,690	2,581
Investment(Loss) in Subsidiary	1,105	776	1,712	180	(1,886)	(8,485)	256	-	-
Licences, Fines and Penalties	6,145	5,714	5,482	4,804	3,713	3,570	3,186	2,742	2,421
Other	10,762	10,875	8,695	6,357	4,908	4,939	3,503	7,977	4,354
Senior Government Transfers	4,243	6,260	6,114	3,754	3,398	3,194	3,593	3,264	3,140
Surplus	-	3,764	-	-	8,517	-	-	1,991	8,706
	$363,198	$330,712	$314,456	$277,667	$268,754	$209,844	$254,671	$258,658	$177,960
Spent On:	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Government	$74,571	$71,161	$67,471	$62,737	$57,289	$54,182	$50,058	$45,977	$37,385
Gas	79,396	65,356	48,623	52,284	51,691	39,566	49,501	52,159	39,886
Electric	30,022	31,080	30,089	27,051	29,458	22,807	24,734	21,553	18,798
Environmental Utilities	13,849	12,448	15,739	12,124	11,264	10,056	10,270	9,766	10,964
Land	8,640	6,317	14,075	5,197	5,355	3,926	2,758	951	1,827
Medicine Hat Public Library	-	-	-	-	-	-	1,201	1,180	1,120
Capital Purchase and Debt	33,195	57,278	33,649	41,589	32,469	27,208	36,454	51,573	39,438
Transfer To Reserves	111,040	87,072	104,181	74,881	81,228	44,106	73,208	75,499	28,542
Surplus	12,485		629	1,804	-	7,993	6,487	-	-
	$363,198	$330,712	$314,456	$277,667	$268,754	$209,844	$254,671	$258,658	$177,960

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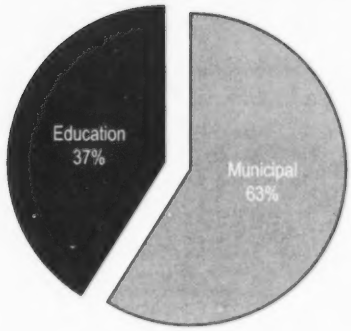
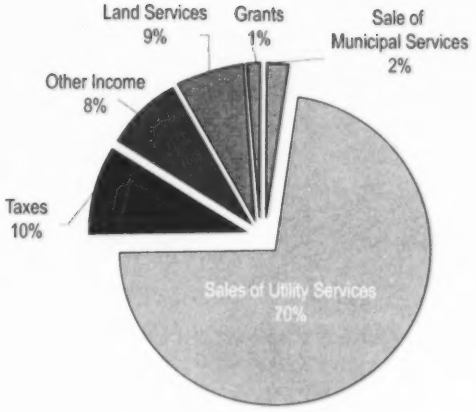
Financial Synopsis 2007
Operating Fund Activities

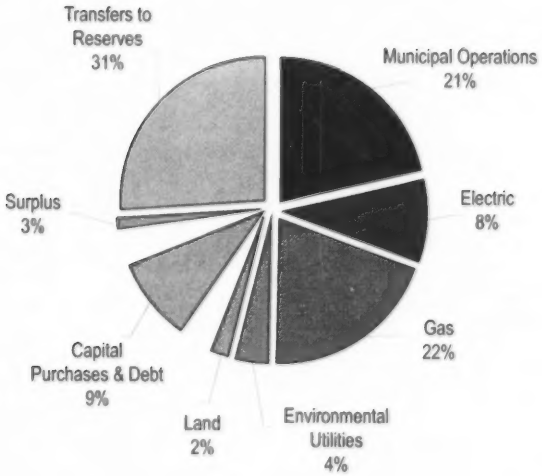
Where Our Tax Dollars Went In 2007
Education / Municipal
Property Tax



Where The Money Comes From
$363.2 Million



Where the Money Goes
$363.2 Million



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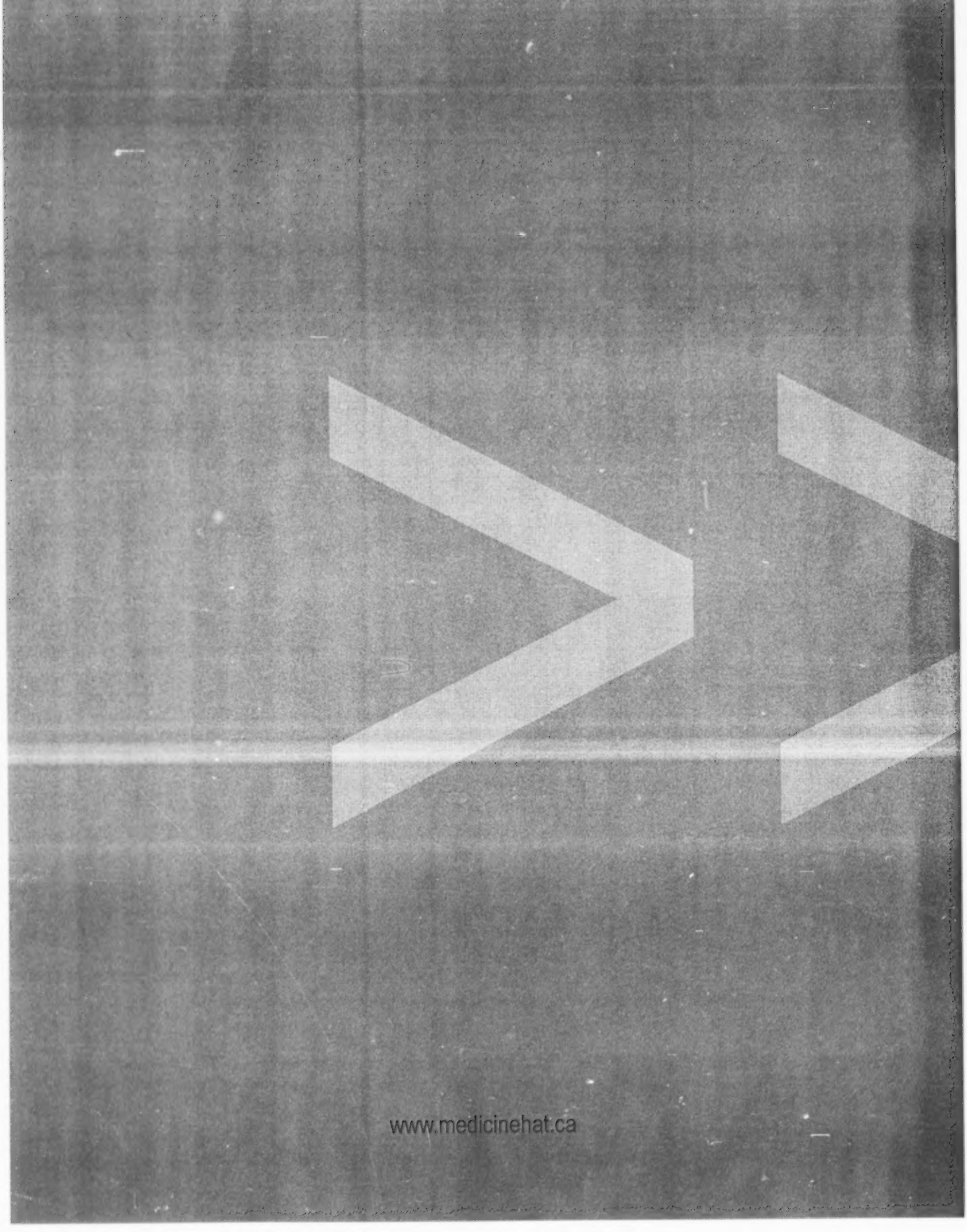
Medicine Hat
The Gas City

Thank you to all the employees and residents who had their photographs taken for this document.

The 2007 City of Medicine Hat Annual Report was prepared and produced by the City of Medicine Hat Corporate Communications and Finance departments.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